

# **JOE GQABI DISTRICT MUNICIPALITY**



## **2019/20 TO 2021/22 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**(Final Budget for Approval by Council)**

**30 May 2019**

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## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

To be distributed during the Council meeting.

## 1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) tables:
  - 1.1. The annual budget of the municipality for the financial year 2018/19 and indicative allocations for the two projected outer years 2019/20 and 2020/21; and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15.
  - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are tabled as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 16;
    - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is tabled as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables the tariffs for the provision of water and sanitation.
4. The measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.
5. The Budget related policies including any amendments are tabled for the budget year 2019/20.

### 1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

National Treasury's MFMA Circular No.89, 91 and 94 was used to guide the compilation of the 2019/20 MTREF.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Wage increases is anticipated to exceed consumer inflation;
- Affordability of capital projects – Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant, Water Services Infrastructure Grant and Municipal Water Infrastructure Grant funding were allocated towards developing of new capital infrastructure assets;
- Low collection levels and the resistance against pre-paid water meter installations
- Outstanding Service Level Agreements; and
- The increase in the Value Added Tax percentage

The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Working for Water and Department of Roads and Transports grants are not Gazetted and have not been included in the budget, due to no signed service level agreements being in place at date of budget preparation. All other grant funding, allocated has been Gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/20 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2019/20 MTREF**

| SUMMARY OF THE INCOME AND EXPENDITRE                          |                         |                       |                       |                       |
|---|-------------------------|-----------------------|-----------------------|-----------------------|
|   | Draft Budget<br>2019/20 | Budget 2019/20        | Budget 2020/21        | Budget 2021/22        |
| Total Revenue (excluding capital transfers and contributions) | 543 664 113,00          | 649 597 747,00        | 546 135 037,00        | 550 527 731,00        |
| Total Expenditure   | 492 503 079,00          | 598 436 713,00        | 500 221 462,00        | 482 719 655,00        |
| <b>Surplus / (deficit) - Operational</b>                      | 51 161 034,00           | 51 161 034,00         | 45 913 575,00         | 67 808 076,00         |
| Total Capital Expenditure                                     | 319 667 600,00          | 240 934 000,00        | 309 120 000,00        | 256 241 000,00        |
| Total Capital Funding   | 319 667 600,00          | 240 934 000,00        | 309 120 000,00        | 256 241 000,00        |
|   | -                       | -                     | -                     | -                     |
| <b>Surplus / (deficit) - Total</b>                            | 51 161 034,00           | 51 161 034,00         | 45 913 575,00         | 67 808 076,00         |
| <b>Adding back Non-Cash items:</b>                            |                         |                       |                       |                       |
| Depreciation  | 49 956 515,00           | 49 956 515,00         | 50 456 515,00         | 50 956 515,00         |
| Debt Impairment   | 76 020 004,00           | 76 020 004,00         | 76 520 004,00         | 77 020 004,00         |
| <b>Surplus / (deficit) - Total Cash</b>                       | <b>177 137 553,00</b>   | <b>177 137 553,00</b> | <b>172 890 094,00</b> | <b>195 784 595,00</b> |

A Budget Committee was established to examine, review and prioritise budget proposals from departments

Over the 3 year period, the Municipality is planning to spend R806 million on capital investment for the infrastructure needs of the District. The Capital Budget for the 2019/20 Financial Year is R240.9 million. Operating expenditure is budgeted at R598 million.

Concerns have recently been raised by National Treasury in relation to the amount of municipalities budgeting for a deficit in the Budgeted Statement of Financial Performance.

The National Treasury has requested municipalities over time via the annual MFMA Budget Circulars to consider tabling a surplus budget on the statement of operating performance to enable municipalities to augment the capital replacement fund (CCR) which can be used to contribute to the Internally Generated Funding as a source of funding for the Municipal Capital Budget.

National Treasury is also of a view that a budgeted deficit is indicative that a municipality is living above the municipality's means.

As evident from the table above, the municipality has a budgeted surplus of R176 million over the MTREF. This together with the supporting table SA10 – funding measurement on page 44, indicates that the budget is funded over the MTREF.

#### 1.4 Operating Revenue Framework

JGDM is heavily reliant on grants. The service charges are not making meaningful contribution to the revenue in the short-term, which warranted the proposal of new tariffs. This should improve in the medium term. Additional revenue from Local municipalities in relation to Fire Services was included in the 2019/20 Budget.

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

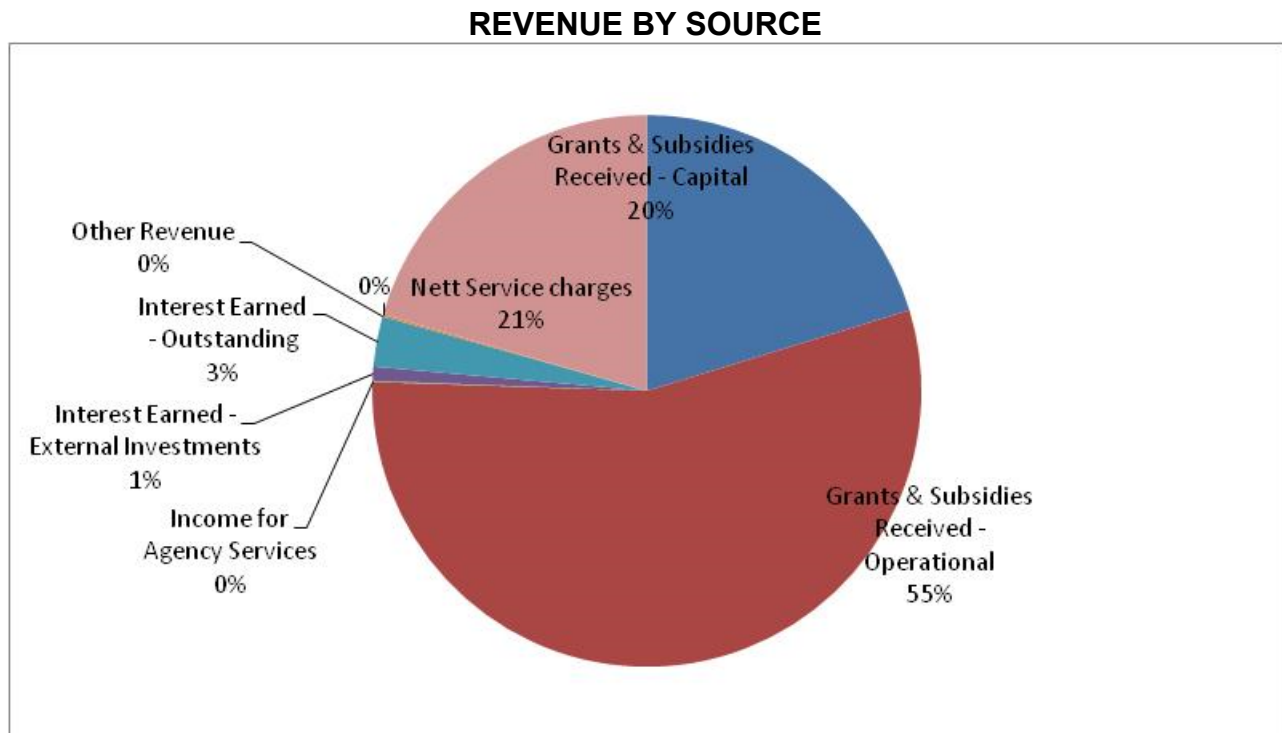
**Table 2 Summary of revenue classified by main revenue source**

DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

| Description   | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand  | 1   | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| Revenue By Source   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates  | 2   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Service charges - electricity revenue                         | 2   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Service charges - water revenue                               | 2   | 51 758          | 61 780          | 52 663          | 115 255              | 115 255         | 115 255            | 115 255           | 135 743   | 126 397                | 133 982                |
| Service charges - sanitation revenue                          | 2   | 30 843          | 29 891          | 24 475          | 44 599               | 44 599          | 44 599             | 44 599            | 31 317  | 30 862                 | 30 380                 |
| Service charges - refuse revenue                              | 2   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Rental of facilities and equipment                            |     |                 |                 |                 | 691                  | 9               | 9                  | 9                 | 9   | 9                      | 9                      |
| Interest earned - external investments                        |     | 4 378           | 3 309           | 4 621           | 4 030                | 4 030           | 4 030              | 4 030             | 6 720   | 7 078                  | 5 044                  |
| Interest earned - outstanding debtors                         |     | 5 347           | 24 092          | 22 124          | 24 018               | 24 018          | 24 018             | 24 018            | 24 018  | 24 969                 | 26 467                 |
| Dividends received  |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Fines, penalties and forfeits                                 |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Licences and permits  |     | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Agency services   |     | –               | –               | –               | 1 636                | 540             | 540                | 540               | 533   | –                      | –                      |
| Transfers and subsidies                                       |     | 322 711         | 314 817         | 409 661         | 366 101              | 382 346         | 382 346            | 382 346           | 450 219   | 356 173                | 353 993                |
| Other revenue   | 2   | 12 896          | 17 663          | 1 714           | 500                  | 500             | 500                | 500               | 1 039   | 647                    | 653                    |
| Gains on disposal of PPE                                      |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Total Revenue (excluding capital transfers and contributions) |     | 427 934         | 451 552         | 515 258         | 556 830              | 571 297         | 571 297            | 571 297           | 649 598   | 546 135                | 550 528                |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

**Fig 1: Revenue by main revenue source**



**Table 3 Revenue by main revenue source**

| Description                               | Draft Budget 2019/20  | Budget 2019/20        | Budget 2020/21        | Budget 2021/22        |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Grants & Subsidies Received - Capital     | 243 757 600,00        | 165 024 600,00        | 236 620 000,00        | 401 241 000,00        |
| Grants & Subsidies Received - Operational | 344 818 400,00        | 450 218 700,00        | 356 173 000,00        | 353 993 000,00        |
| Income for Agency Services                | -                     | 533 334,00            | -                     | -                     |
| Interest Earned - External Investments    | 6 720 437,00          | 6 720 437,00          | 7 077 667,00          | 5 044 277,00          |
| Interest Earned - Outstanding             | 24 018 138,00         | 24 018 138,00         | 24 969 000,00         | 26 467 140,00         |
| Other Revenue                             | 1 048 000,00          | 1 048 000,00          | 656 000,00            | 662 000,00            |
| Nett Service charges                      | 167 059 138,00        | 167 059 138,00        | 157 259 370,00        | 164 361 314,00        |
| Service Charges                           | 357 490 638,00        | 357 490 638,00        | 359 116 760,00        | 378 330 835,00        |
| Less: Free Basic Services                 | (190 155 500,00)      | (190 155 500,00)      | (201 564 830,00)      | (213 659 521,00)      |
| Less: Revenue Foregone                    | (276 000,00)          | (276 000,00)          | (292 560,00)          | (310 000,00)          |
| <b>Grand Total</b>                        | <b>787 421 713,00</b> | <b>814 622 347,00</b> | <b>782 755 037,00</b> | <b>951 768 731,00</b> |

Total Revenue increased from R787 million in the 2019/20 Draft Budget to R814 million in the 2019/20 Final Budget.

The 3.45% increase is largely as result of an increase in Conditional Grant and Agency fees from the Department of Roads and Transport.



The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

DC14 Joe Gqabi - Supporting Table SA18 Transfers and grant receipts

| Description   | Ref  | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>RECEIPTS:</b>  | 1, 2 |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <u>Operating Transfers and Grants</u>                     |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:                                      |      | -               | -               | -               | 417 596              | 417 596         | 417 596            | 418 552   | 355 173                | 352 993                |
| Local Government Equitable Share                          |      |                 |                 |                 | 258 283              | 258 283         | 258 283            | 273 796   | 293 181                | 314 679                |
| Municipal Infrastructure Grant (MIG)                      |      |                 |                 |                 | 153 554              | 153 554         | 153 554            | 75 844  | 58 034                 | 34 221                 |
| Road Asset Management Systems Grant [Schedule 5B]         |      |                 |                 |                 | 2 185                | 2 185           | 2 185              | 2 315   | 2 448                  | 2 583                  |
| Expanded Public Works Programme Integrated Grant for      |      |                 |                 |                 | 2 254                | 2 254           | 2 254              | 1 504   | -                      | -                      |
| Local Government Financial Management Grant [Schedule 5B] |      |                 |                 |                 | 1 320                | 1 320           | 1 320              | 1 785   | 1 510                  | 1 510                  |
| Municipal Disaster Recovery Grant                         |      |                 |                 |                 |                      |                 |                    | 60 733  | -                      | -                      |
| LG Seta   |      |                 |                 |                 |                      |                 |                    | 2 575   | -                      | -                      |
| Provincial Government:                                    |      | -               | -               | -               | -                    | -               | -                  | 26 667  | -                      | -                      |
|   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Department of Roads and Transport                         |      |                 |                 |                 |                      |                 |                    | 26 667  | -                      | -                      |
| District Municipality:                                    |      | -               | -               | -               | -                    | -               | -                  | 4 000   | -                      | -                      |
| Local Municipalities - Fire Services                      |      |                 |                 |                 |                      |                 |                    | 4 000   | -                      | -                      |
| Other grant providers:                                    |      | -               | -               | -               | -                    | -               | -                  | 1 000   | 1 000                  | 1 000                  |
| Private enterprises                                       |      |                 |                 |                 |                      |                 |                    | 1 000   | 1 000                  | 1 000                  |
| <b>Total Operating Transfers and Grants</b>               | 5    | -               | -               | -               | 417 596              | 417 596         | 417 596            | 450 219   | 356 173                | 353 993                |
| <u>Capital Transfers and Grants</u>                       |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:                                      |      | -               | -               | -               | 169 500              | 169 500         | 169 500            | 165 025   | 236 620                | 401 241                |
| Municipal Infrastructure Grant (MIG)                      |      |                 |                 |                 | 110 500              | 110 500         | 110 500            | 81 025  | 108 000                | 145 000                |
| Regional Bulk Infrastructure                              |      |                 |                 |                 | -                    | -               | -                  | -   | 40 000                 | 152 747                |
| Water Services Infrastructure Grant [Schedule 5B]         |      |                 |                 |                 | 59 000               | 59 000          | 59 000             | 84 000  | 88 620                 | 103 494                |
|   |      |                 |                 |                 |                      |                 |                    | -   | -                      | -                      |
| Local Government Equitable Share                          |      |                 |                 |                 |                      |                 |                    | -   | -                      | -                      |
| Provincial Government:                                    |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other capital transfers/grants [insert description]       |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| District Municipality:                                    |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Local Municipalities - Fire Services                      |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other grant providers:                                    |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Private enterprises                                       |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Capital Transfers and Grants</b>                 | 5    | -               | -               | -               | 169 500              | 169 500         | 169 500            | 165 025   | 236 620                | 401 241                |
| <b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>           |      | -               | -               | -               | 587 096              | 587 096         | 587 096            | 615 243   | 592 793                | 755 234                |

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs, Value added tax increase and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.45 percent. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. The municipality decided against using a blanket approach in setting tariffs. The basic charges and consumption charges on conventional meters and that on pre-paid meters were increased in line with the costs associated with the service. The increase on average amounts to an increase of 6.45 percent. Some services were therefore more affected than others.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities.

The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of water, petrol, diesel, chemicals, cement etc. The current challenges facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

## **1.5 Operating Expenditure Framework**

The Municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

The following table is a high level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure):

**Table 5 Summary of operating expenditure by standard classification item**

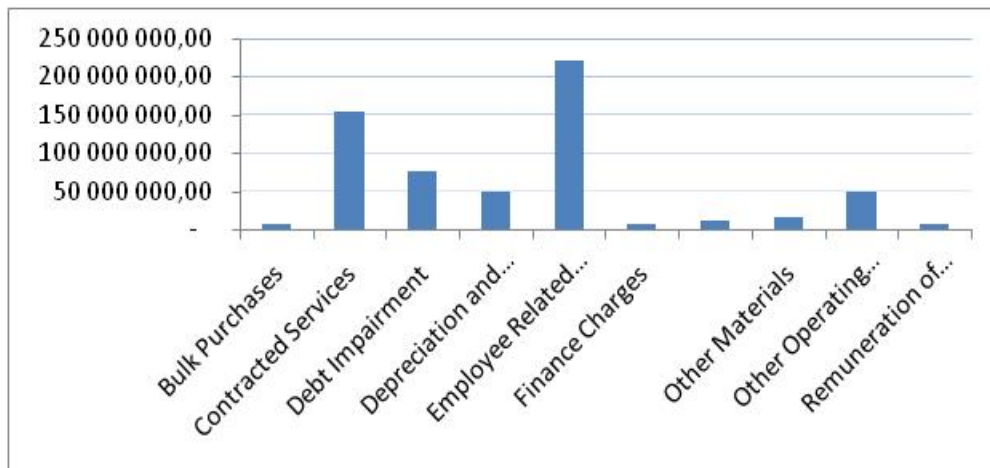
DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

| Description                     | Ref  | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---------------------------------|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand                      | 1    | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| Expenditure By Type             |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee related costs          | 2    | 163 740         | 186 859         | 210 133         | 202 557              | 203 905         | 203 905            | 203 905           | 221 275   | 215 867                | 227 524                |
| Remuneration of councillors     |      | 5 310           | 5 202           | 5 953           | 6 256                | 6 376           | 6 376              | 6 376             | 6 062   | 6 252                  | 6 590                  |
| Debt impairment                 | 3    | 57 681          | 37 676          | 32 991          | 75 020               | 75 020          | 75 020             | 75 020            | 76 020  | 76 520                 | 77 020                 |
| Depreciation & asset impairment | 2    | 46 199          | 48 182          | 49 159          | 49 457               | 49 457          | 49 457             | 49 457            | 49 957  | 50 457                 | 50 957                 |
| Finance charges                 |      | 5 735           | 5 916           | 5 646           | 3 378                | 3 448           | 3 448              | 3 448             | 7 561   | 7 913                  | 5 867                  |
| Bulk purchases                  | 2    | 989             | 4 164           | 4 459           | 10 000               | 9 150           | 9 150              | 9 150             | 7 000   | 7 000                  | 7 000                  |
| Other materials                 | 8    | –               | –               | 25 902          | 31 168               | 23 922          | 23 922             | 23 922            | 14 653  | 13 858                 | 13 338                 |
| Contracted services             |      | 15 138          | 14 442          | 14 873          | 100 684              | 145 061         | 145 061            | 145 061           | 154 557   | 69 576                 | 44 110                 |
| Transfers and subsidies         |      | 5 000           | 7 879           | 8 495           | 9 305                | 9 355           | 9 355              | 9 355             | 11 715  | 11 765                 | 11 765                 |
| Other expenditure               | 4, 5 | 171 423         | 191 275         | 206 114         | 81 000               | 74 456          | 74 456             | 74 456            | 49 637  | 41 015                 | 38 549                 |
| Loss on disposal of PPE         |      | 657             | 576             | 1 442           |                      |                 |                    |                   |   |                        |                        |
| Total Expenditure               |      | 471 872         | 502 171         | 565 168         | 568 825              | 600 151         | 600 151            | 600 151           | 598 437   | 500 221                | 482 720                |

**Table 6 Percentage growth in expenditure by main expenditure type**

| Description                   | Draft Budget 2019/20 | Budget 2019/20 | Budget 2020/21 | Budget 2021/22 |
|-------------------------------|----------------------|----------------|----------------|----------------|
| Bulk Purchases                | 7 000 000,00         | 7 000 000,00   | 7 000 000,00   | 7 000 000,00   |
| Contracted Services           | 73 323 750,00        | 154 557 350,00 | 69 575 800,00  | 44 110 350,00  |
| Debt Impairment               | 76 020 004,00        | 76 020 004,00  | 76 520 004,00  | 77 020 004,00  |
| Depreciation and Amortisation | 49 956 515,00        | 49 956 515,00  | 50 456 515,00  | 50 956 515,00  |
| Employee Related Costs        | 202 406 670,00       | 221 274 526,00 | 215 866 713,00 | 227 523 523,00 |
| Finance Charges               | 7 561 437,00         | 7 561 437,00   | 7 912 667,00   | 5 867 277,00   |
| Grants and Subsidies Paid     | 11 715 000,00        | 11 715 000,00  | 11 765 000,00  | 11 765 000,00  |
| Other Materials               | 13 853 000,00        | 14 653 000,00  | 13 858 000,00  | 13 338 000,00  |
| Other Operating expenditure   | 44 604 422,00        | 49 636 600,00  | 41 014 639,00  | 38 549 249,00  |
| Remuneration of Councilors    | 6 062 281,00         | 6 062 281,00   | 6 252 124,00   | 6 589 737,00   |
| Total                         | 492 503 079,00       | 598 436 713,00 | 500 221 462,00 | 482 719 655,00 |

**Fig 2: Expenditure by major type**



The budgeted allocation for employee related costs for the 2019/20 financial year totals R 221 million, which equals 37 percent of the total operating expenditure. This is within the prescribed norm of 25% - 40%. If not for the high grant funded contracted services the percentage would have been above the prescribed norm. The high rate is as result of the municipality reducing operating expenditure in order to ensure that the municipality has a funded budget. Employee Related Costs increased by 7.1% as per the Wage Collective Agreement. The decrease in employee costs is as result of the reduction of Roads division employees in the absence of a signed service level agreement.

The cost associated with the remuneration of Councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

During the prior year's Budget Engagement process, Provincial Treasury advised that the municipality should budget for debt impairment on percentage not collected. The budgeted collection rate is 30% on consumers with conventional meters and 100% on consumers with pre-

paid water meters. As per Provincial Treasury's advice, the municipality should therefore use the remaining 70% as the provision of debt impairment. The municipality decided to only apply the 70% to residential consumers with conventional meters. The total budgeted collection rate is 40% in the current year (2019/20) and 45% for the two outer years (2020/21 and 2021/22). For the 2019/20 financial year this amount equates to R 76 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 49.9 million for the 2019/20 financial year and equates to 9 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing, frontloading and interest on non-current provisions. Finance charges (R 7.5 million) equates to 1.6 percent of the operating expenditure excluding annual redemption for 2019/20 financial year.

Total finance charges in relation with the front loading borrowings, will amount to R4,3 million (2019/20: R1,88 million, 2020/21: R2,2 million, 2021/22: R211,920). The low interest rate is as result of DBSA being a beneficiary of an interest subsidy granted and made by Infrastructure Investment Programme for South Africa (IIPSA) fund (the Interest Rate Subsidy).

The application of the Interest Rate Subsidy will reduce the interest rate payable by the Borrower from 9.25% to 3.15% on the loan outstanding.

Bulk Purchases are allocated R7 million for 2019/20 financial year.

Repairs and Maintenance allocation is R 59 million (including the employee costs, amounting to R45 million, of departments responsible for repairs and maintenance) for the 2019/20 financial year. The portion reflective as repairs and maintenance is 10 percent of total operational expenditure. Bulk of the cost associated with repairs and maintenance comprises of employee costs, which comprises 76% of the total employee costs.

The municipality decided to use the percentage of total operational expenditure prescribed norm instead of percentage of property, plant and equipment prescribed norm. The percentage of property, plant and equipment will require 49% of Equitable share to be allocated to Repairs and maintenance, as evident from the table below.

|  |               |
|--|---------------|
| Audited Property, plant and Equipment                      | 1 681 063 170 |
| Repairs and maintenance at 8%                              | 134 485 054   |
| Equitable share  | 273 796 000   |
| Repairs and maintenance as a percentage of Equitable Share | 49%           |

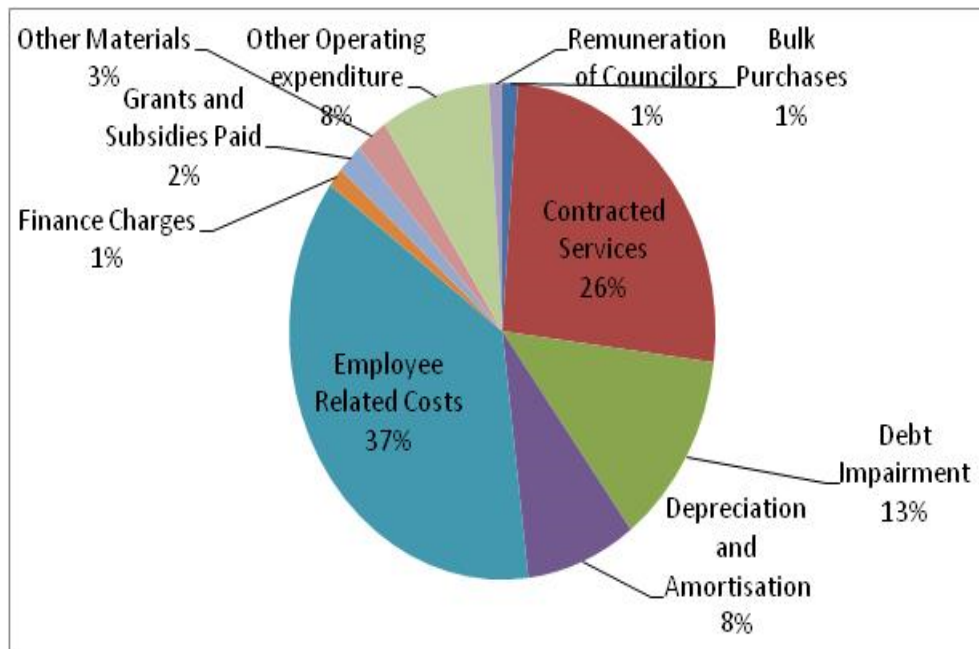
The contracted services budget allocation amounts to R154.5 million or 26% of total operating expenditure. This is above the prescribed norm of 2% - 5%.

This is as result of the following two MIG funded operational projects included under contracted services:

- Senqu Rural Sanitation Programme: Phase 2 amounting to R34 million;
- Elundini Rural Sanitation Programme: Phase 2 amounting to R34 million; and
- Municipal Disaster Recovery Grant programme amounting to R60.733 million

These three projects amount to R128 million or 22% of total operating expenditure. Contracted services excluding the MIG funded projects are therefore amount to 4% of total operating expenditure and is within the prescribed norm.

**Fig 3: Expenditure by major type – 2019/20**



### **Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The qualifying indigents will be provided with 6kl of water per month

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote, functional classification and funding:

**Table 7 2019/20 Medium-term capital budget per vote**

| Vote Description<br>R thousand                    | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>Capital expenditure - Vote</b>                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Multi-year expenditure to be appropriated</b>  | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Office of Municipal Manager              |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Financial Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 4 - Technical Services                       |     | -               | -               | -               | 150 500              | 113 273         | 113 273            | 113 273           | 153 524   | 220 500                | 152 747                |
| Vote 5 - Community Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 6 - Institutional Support and Advancement    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 7 - Water Service Provision                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - [NAME OF VOTE 8]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Capital multi-year expenditure sub-total          | 7   | -               | -               | -               | 150 500              | 113 273         | 113 273            | 113 273           | 153 524   | 220 500                | 152 747                |
| <b>Single-year expenditure to be appropriated</b> | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Office of Municipal Manager              |     | -               | -               | -               | 500                  | 500             | 500                | 500               | -   | -                      | -                      |
| Vote 2 - Financial Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                       |     | -               | -               | -               | 640                  | 10 600          | 10 600             | 10 600            | 2 200   | -                      | -                      |
| Vote 4 - Technical Services                       |     | -               | -               | -               | 295                  | 295             | 295                | 295               | -   | -                      | -                      |
| Vote 5 - Community Services                       |     | -               | -               | -               | 3 767                | 450             | 450                | 450               | -   | -                      | -                      |
| Vote 6 - Institutional Support and Advancement    |     | -               | -               | -               | 1 530                | 1 430           | 1 430              | 1 430             | 1 210   | -                      | -                      |
| Vote 7 - Water Service Provision                  |     | -               | -               | -               | 68 290               | 68 290          | 68 290             | 68 290            | 84 000  | 88 620                 | 103 494                |
| Vote 8 - [NAME OF VOTE 8]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Capital single-year expenditure sub-total         |     | -               | -               | -               | 75 022               | 81 565          | 81 565             | 81 565            | 87 410  | 88 620                 | 103 494                |
| <b>Total Capital Expenditure - Vote</b>           |     | -               | -               | -               | 225 522              | 194 838         | 194 838            | 194 838           | 240 934   | 309 120                | 256 241                |

## 1.7 Annual Budget Tables

The following pages present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

**Table 8 MBRR NT A1 - Budget Summary**

DC14 Joe Gqabi - Table A1 Budget Summary

| Description  | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousands  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Financial Performance</b>   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates   | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Service charges  | 82 601          | 91 671          | 77 138          | 159 854              | 159 854         | 159 854            | 159 854           | 167 059   | 157 259                | 164 361                |
| Investment revenue   | 4 378           | 3 309           | 4 621           | 4 030                | 4 030           | 4 030              | 4 030             | 6 720   | 7 078                  | 5 044                  |
| Transfers recognised - operational                                   | 322 711         | 314 817         | 409 661         | 366 101              | 382 346         | 382 346            | 382 346           | 450 219   | 356 173                | 353 993                |
| Other own revenue  | 18 243          | 41 755          | 23 838          | 26 845               | 25 067          | 25 067             | 25 067            | 25 599  | 25 625                 | 27 129                 |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>427 934</b>  | <b>451 552</b>  | <b>515 258</b>  | <b>556 830</b>       | <b>571 297</b>  | <b>571 297</b>     | <b>571 297</b>    | <b>649 598</b>                                      | <b>546 135</b>         | <b>550 528</b>         |
| Employee costs   | 163 740         | 186 859         | 210 133         | 202 557              | 203 905         | 203 905            | 203 905           | 221 275   | 215 867                | 227 524                |
| Remuneration of councillors  | 5 310           | 5 202           | 5 953           | 6 256                | 6 376           | 6 376              | 6 376             | 6 062   | 6 252                  | 6 590                  |
| Depreciation & asset impairment                                      | 46 199          | 48 182          | 49 159          | 49 457               | 49 457          | 49 457             | 49 457            | 49 957  | 50 457                 | 50 957                 |
| Finance charges  | 5 735           | 5 916           | 5 646           | 3 378                | 3 448           | 3 448              | 3 448             | 7 561   | 7 913                  | 5 867                  |
| Materials and bulk purchases   | 989             | 4 164           | 30 361          | 41 168               | 33 072          | 33 072             | 33 072            | 21 653  | 20 858                 | 20 338                 |
| Transfers and grants   | 5 000           | 7 879           | 8 495           | 9 305                | 9 355           | 9 355              | 9 355             | 11 715  | 11 765                 | 11 765                 |
| Other expenditure  | 244 899         | 243 969         | 255 421         | 256 704              | 294 538         | 294 538            | 294 538           | 280 214   | 187 110                | 159 680                |
| <b>Total Expenditure</b>   | <b>471 872</b>  | <b>502 171</b>  | <b>565 168</b>  | <b>568 825</b>       | <b>600 151</b>  | <b>600 151</b>     | <b>600 151</b>    | <b>598 437</b>                                      | <b>500 221</b>         | <b>482 720</b>         |
| <b>Surplus/(Deficit)</b>   | <b>(43 938)</b> | <b>(50 619)</b> | <b>(49 910)</b> | <b>(11 995)</b>      | <b>(28 854)</b> | <b>(28 854)</b>    | <b>(28 854)</b>   | <b>51 161</b>                                       | <b>45 914</b>          | <b>67 808</b>          |
| Transfers and subsidies - capital (monetary allocations) (N          | 203 357         | 250 802         | 132 636         | 211 685              | 174 458         | 174 458            | 174 458           | 165 025   | 236 620                | 401 241                |
| Contributions recognised - capital & contributed assets              | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>159 419</b>  | <b>200 183</b>  | <b>82 726</b>   | <b>199 690</b>       | <b>145 604</b>  | <b>145 604</b>     | <b>145 604</b>    | <b>216 186</b>                                      | <b>282 534</b>         | <b>469 049</b>         |
| Share of surplus/ (deficit) of associate                             | –               | –               | –               | –                    | –               | –                  | –                 | –   | –                      | –                      |
| <b>Surplus/(Deficit) for the year</b>                                | <b>159 419</b>  | <b>200 183</b>  | <b>82 726</b>   | <b>199 690</b>       | <b>145 604</b>  | <b>145 604</b>     | <b>145 604</b>    | <b>216 186</b>                                      | <b>282 534</b>         | <b>469 049</b>         |



## DC14 Joe Gqabi - Table A1 Budget Summary

[illegible]

## **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.  
The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

**Table 9 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

DC14 Joe Gqabi - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

| Functional Classification Description      | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand                                 | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Revenue - Functional</b>                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Governance and administration</i>       |     | 513 816         | 266 105         | 271 765         | 265 622              | 265 622         | 265 622            | 238 588   | 248 219                | 265 913                |
| Executive and council                      |     | -               | -               | 3 184           | 1 080                | 1 080           | 1 080              | 20 697  | 21 557                 | 21 993                 |
| Finance and administration                 |     | 513 816         | 266 105         | 268 580         | 264 542              | 264 542         | 264 542            | 214 590   | 223 184                | 240 288                |
| Internal audit                             |     | -               | -               | -               | -                    | -               | -                  | 3 301   | 3 478                  | 3 632                  |
| <i>Community and public safety</i>         |     | -               | -               | -               | -                    | -               | -                  | 32 488  | 34 194                 | 35 672                 |
| Community and social services              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Sport and recreation                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Public safety                              |     | -               | -               | -               | -                    | -               | -                  | 16 163  | 16 850                 | 17 445                 |
| Housing                                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Health                                     |     | -               | -               | -               | -                    | -               | -                  | 16 325  | 17 344                 | 18 227                 |
| <i>Economic and environmental services</i> |     | -               | 36 838          | 30 959          | 260 020              | 237 261         | 237 261            | 268 469   | 229 494                | 355 862                |
| Planning and development                   |     | -               | 1 474           | -               | 200 158              | 207 536         | 207 536            | 238 954   | 227 046                | 353 279                |
| Road transport                             |     | -               | 25 258          | 25 906          | 43 189               | 29 725          | 29 725             | 29 515  | 2 448                  | 2 583                  |
| Environmental protection                   |     | -               | 10 106          | 5 053           | 16 673               | -               | -                  | -   | -                      | -                      |
| <i>Trading services</i>                    |     | 117 475         | 399 411         | 345 169         | 242 873              | 242 873         | 242 873            | 275 077   | 270 848                | 294 322                |
| Energy sources                             |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Water management                           |     | 83 986          | 306 647         | 268 565         | 154 255              | 154 255         | 154 255            | 135 743   | 126 397                | 133 982                |
| Waste water management                     |     | 33 489          | 92 764          | 76 605          | 88 618               | 88 618          | 88 618             | 139 335   | 144 451                | 160 341                |
| Waste management                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Other</i>                               | 4   | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total Revenue - Functional</b>          | 2   | 631 291         | 702 354         | 647 894         | 768 515              | 745 755         | 745 755            | 814 622   | 782 755                | 951 769                |
| <b>Expenditure - Functional</b>            |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Governance and administration</i>       |     | 153 685         | 205 852         | 140 583         | 183 571              | 186 713         | 186 713            | 121 529   | 119 774                | 117 298                |
| Executive and council                      |     | 41 446          | 30 615          | 49 073          | 23 036               | 25 649          | 25 649             | 20 697  | 21 557                 | 21 993                 |
| Finance and administration                 |     | 112 239         | 175 237         | 91 511          | 158 012              | 158 651         | 158 651            | 97 531  | 94 740                 | 91 674                 |
| Internal audit                             |     | -               | -               | -               | 2 523                | 2 413           | 2 413              | 3 301   | 3 478                  | 3 632                  |
| <i>Community and public safety</i>         |     | 46 543          | 40 617          | 49 153          | 35 813               | 30 884          | 30 884             | 32 488  | 34 194                 | 35 672                 |
| Community and social services              |     | 15 764          | 17 039          | 49 153          | -                    | -               | -                  | -   | -                      | -                      |
| Sport and recreation                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Public safety                              |     | 18 602          | 13 702          | -               | 22 625               | 17 714          | 17 714             | 16 163  | 16 850                 | 17 445                 |
| Housing                                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Health                                     |     | 12 177          | 9 876           | -               | 13 188               | 13 171          | 13 171             | 16 325  | 17 344                 | 18 227                 |
| <i>Economic and environmental services</i> |     | 44 758          | 24 514          | 26 820          | 129 523              | 156 357         | 156 357            | 187 444   | 81 494                 | 58 115                 |
| Planning and development                   |     | -               | 4 841           | -               | 71 151               | 118 179         | 118 179            | 157 929   | 79 046                 | 55 532                 |
| Road transport                             |     | 42 384          | 18 059          | 26 820          | 43 212               | 29 748          | 29 748             | 29 515  | 2 448                  | 2 583                  |
| Environmental protection                   |     | 2 374           | 1 614           | -               | 15 160               | 8 430           | 8 430              | -   | -                      | -                      |
| <i>Trading services</i>                    |     | 226 886         | 231 188         | 348 612         | 219 917              | 226 196         | 226 196            | 256 976   | 264 760                | 271 635                |
| Energy sources                             |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Water management                           |     | 162 558         | 161 812         | 258 815         | 175 352              | 175 084         | 175 084            | 221 023   | 228 307                | 234 182                |
| Waste water management                     |     | 64 328          | 69 376          | 89 797          | 44 565               | 51 113          | 51 113             | 35 953  | 36 453                 | 37 453                 |
| Waste management                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Other</i>                               | 4   | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total Expenditure - Functional</b>      | 3   | 471 872         | 502 171         | 565 168         | 568 825              | 600 151         | 600 151            | 598 437   | 500 221                | 482 720                |
| <b>Surplus/(Deficit) for the year</b>      |     | 159 419         | 200 183         | 82 726          | 199 690              | 145 604         | 145 604            | 216 186   | 282 534                | 469 049                |

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

**Table 10 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

DC14 Joe Gqabi - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Vote Description                               | Ref      | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|----------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |          | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>R thousand</b>                              |          |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Revenue by Vote</b>                         | <b>1</b> |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Office of Municipal Manager           |          | -               | -               | -               | 1 430                | 1 430           | 1 430              | 30 815  | 33 304                 | 33 613                 |
| Vote 2 - Financial Services                    |          | -               | -               | -               | 264 133              | 264 133         | 264 133            | 136 874   | 147 343                | 162 277                |
| Vote 3 - Corporate Services                    |          | -               | -               | -               | 409                  | 409             | 409                | 45 244  | 42 156                 | 43 447                 |
| Vote 4 - Technical Services                    |          | -               | -               | -               | 242 997              | 236 911         | 236 911            | 252 010   | 211 230                | 337 436                |
| Vote 5 - Community Services                    |          | -               | -               | -               | 16 673               | -               | -                  | 50 791  | 52 968                 | 54 854                 |
| Vote 6 - Institutional Support and Advancement |          | -               | -               | -               | -                    | -               | -                  | 23 812  | 24 906                 | 25 819                 |
| Vote 7 - Water Service Provision               |          | -               | -               | -               | 242 873              | 242 873         | 242 873            | 275 077   | 270 848                | 294 322                |
| Vote 8 - [NAME OF VOTE 8]                      |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                      |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total Revenue by Vote</b>                   | <b>2</b> | -               | -               | -               | 768 515              | 745 755         | 745 755            | 814 622   | 782 755                | 951 769                |
| <b>Expenditure by Vote to be appropriated</b>  | <b>1</b> |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Office of Municipal Manager           |          | -               | -               | -               | 34 225               | 34 359          | 34 359             | 30 815  | 33 304                 | 33 613                 |
| Vote 2 - Financial Services                    |          | -               | -               | -               | 86 641               | 85 826          | 85 826             | 38 117  | 37 672                 | 32 845                 |
| Vote 3 - Corporate Services                    |          | -               | -               | -               | 54 068               | 56 734          | 56 734             | 45 244  | 42 156                 | 43 447                 |
| Vote 4 - Technical Services                    |          | -               | -               | -               | 94 715               | 129 455         | 129 455            | 170 985   | 63 230                 | 39 689                 |
| Vote 5 - Community Services                    |          | -               | -               | -               | 69 715               | 57 906          | 57 906             | 50 791  | 52 968                 | 54 854                 |
| Vote 6 - Institutional Support and Advancement |          | -               | -               | -               | 28 285               | 28 792          | 28 792             | 23 812  | 24 906                 | 25 819                 |
| Vote 7 - Water Service Provision               |          | -               | -               | -               | 201 175              | 207 079         | 207 079            | 238 673   | 245 986                | 252 453                |
| Vote 8 - [NAME OF VOTE 8]                      |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                      |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                    |          | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total Expenditure by Vote</b>               | <b>2</b> | -               | -               | -               | 568 825              | 600 151         | 600 151            | 598 437   | 500 221                | 482 720                |
| <b>Surplus/(Deficit) for the year</b>          | <b>2</b> | -               | -               | -               | 199 690              | 145 604         | 145 604            | 216 186   | 282 534                | 469 049                |

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the updated organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 11 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)**

DC14 Joe Gqabi - Table A4 Budgeted Financial Performance (revenue and expenditure)

| Description  | Ref  | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand   | 1    |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Revenue By Source</b>   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates   | 2    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Service charges - electricity revenue  | 2    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Service charges - water revenue  | 2    | 51 758          | 61 780          | 52 663          | 115 255              | 115 255         | 115 255            | 115 255           | 135 743   | 126 397                | 133 982                |
| Service charges - sanitation revenue   | 2    | 30 843          | 29 891          | 24 475          | 44 599               | 44 599          | 44 599             | 44 599            | 31 317  | 30 862                 | 30 380                 |
| Service charges - refuse revenue   | 2    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Rental of facilities and equipment   |      |                 |                 |                 | 691                  | 9               | 9                  | 9                 | 9   | 9                      | 9                      |
| Interest earned - external investments   |      | 4 378           | 3 309           | 4 621           | 4 030                | 4 030           | 4 030              | 4 030             | 6 720   | 7 078                  | 5 044                  |
| Interest earned - outstanding debtors  |      | 5 347           | 24 092          | 22 124          | 24 018               | 24 018          | 24 018             | 24 018            | 24 018  | 24 969                 | 26 467                 |
| Dividends received   |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Fines, penalties and forfeits  |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Licences and permits   |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Agency services  |      | -               | -               | -               | 1 636                | 540             | 540                | 540               | 533   | -                      | -                      |
| Transfers and subsidies  |      | 322 711         | 314 817         | 409 661         | 366 101              | 382 346         | 382 346            | 382 346           | 450 219   | 356 173                | 353 993                |
| Other revenue  | 2    | 12 896          | 17 663          | 1 714           | 500                  | 500             | 500                | 500               | 1 039   | 647                    | 653                    |
| Gains on disposal of PPE   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Total Revenue (excluding capital transfers and contributions)</b>   |      | 427 934         | 451 552         | 515 258         | 556 830              | 571 297         | 571 297            | 571 297           | 649 598   | 546 135                | 550 528                |
| <b>Expenditure By Type</b>   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee related costs   | 2    | 163 740         | 186 859         | 210 133         | 202 557              | 203 905         | 203 905            | 203 905           | 221 275   | 215 867                | 227 524                |
| Remuneration of councillors  |      | 5 310           | 5 202           | 5 953           | 6 256                | 6 376           | 6 376              | 6 376             | 6 062   | 6 252                  | 6 590                  |
| Debt impairment  | 3    | 57 681          | 37 676          | 32 991          | 75 020               | 75 020          | 75 020             | 75 020            | 76 020  | 76 520                 | 77 020                 |
| Depreciation & asset impairment  | 2    | 46 199          | 48 182          | 49 159          | 49 457               | 49 457          | 49 457             | 49 457            | 49 957  | 50 457                 | 50 957                 |
| Finance charges  |      | 5 735           | 5 916           | 5 646           | 3 378                | 3 448           | 3 448              | 3 448             | 7 561   | 7 913                  | 5 867                  |
| Bulk purchases   | 2    | 989             | 4 164           | 4 459           | 10 000               | 9 150           | 9 150              | 9 150             | 7 000   | 7 000                  | 7 000                  |
| Other materials  | 8    | -               | -               | 25 902          | 31 168               | 23 922          | 23 922             | 23 922            | 14 653  | 13 858                 | 13 338                 |
| Contracted services  |      | 15 138          | 14 442          | 14 873          | 100 684              | 145 061         | 145 061            | 145 061           | 154 557   | 69 576                 | 44 110                 |
| Transfers and subsidies  |      | 5 000           | 7 879           | 8 495           | 9 305                | 9 355           | 9 355              | 9 355             | 11 715  | 11 765                 | 11 765                 |
| Other expenditure  | 4, 5 | 171 423         | 191 275         | 206 114         | 81 000               | 74 456          | 74 456             | 74 456            | 49 637  | 41 015                 | 38 549                 |
| Loss on disposal of PPE  |      | 657             | 576             | 1 442           |                      |                 |                    |                   |   |                        |                        |
| <b>Total Expenditure</b>   |      | 471 872         | 502 171         | 565 168         | 568 825              | 600 151         | 600 151            | 600 151           | 598 437   | 500 221                | 482 720                |
| <b>Surplus/(Deficit)</b>   |      | (43 938)        | (50 619)        | (49 910)        | (11 995)             | (28 854)        | (28 854)           | (28 854)          | 51 161  | 45 914                 | 67 808                 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)  |      | 203 357         | 250 802         | 132 636         | 211 685              | 174 458         | 174 458            | 174 458           | 165 025   | 236 620                | 401 241                |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | 6    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Transfers and subsidies - capital (in-kind - all)  |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b>   |      | 159 419         | 200 183         | 82 726          | 199 690              | 145 604         | 145 604            | 145 604           | 216 186   | 282 534                | 469 049                |
| Taxation   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Surplus/(Deficit) after taxation</b>  |      | 159 419         | 200 183         | 82 726          | 199 690              | 145 604         | 145 604            | 145 604           | 216 186   | 282 534                | 469 049                |
| Attributable to minorities   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Surplus/(Deficit) attributable to municipality</b>  |      | 159 419         | 200 183         | 82 726          | 199 690              | 145 604         | 145 604            | 145 604           | 216 186   | 282 534                | 469 049                |
| Share of surplus/ (deficit) of associate   | 7    |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Surplus/(Deficit) for the year</b>  |      | 159 419         | 200 183         | 82 726          | 199 690              | 145 604         | 145 604            | 145 604           | 216 186   | 282 534                | 469 049                |

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Budgeted total revenue amount to R814 million in 2019/20.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and other expenditure are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



**Table 12 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

| Vote Description                                  | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  | 1   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Capital expenditure - Vote</b>                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Multi-year expenditure to be appropriated</b>  | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Office of Municipal Manager              |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Financial Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 4 - Technical Services                       |     | -               | -               | -               | 150 500              | 113 273         | 113 273            | 113 273           | 153 524   | 220 500                | 152 747                |
| Vote 5 - Community Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 6 - Institutional Support and Advancement    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 7 - Water Service Provision                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - [NAME OF VOTE 8]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Capital multi-year expenditure sub-total          | 7   | -               | -               | -               | 150 500              | 113 273         | 113 273            | 113 273           | 153 524   | 220 500                | 152 747                |
| <b>Single-year expenditure to be appropriated</b> | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Office of Municipal Manager              |     | -               | -               | -               | 500                  | 500             | 500                | 500               | -   | -                      | -                      |
| Vote 2 - Financial Services                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                       |     | -               | -               | -               | 640                  | 10 600          | 10 600             | 10 600            | 2 200   | -                      | -                      |
| Vote 4 - Technical Services                       |     | -               | -               | -               | 295                  | 295             | 295                | 295               | -   | -                      | -                      |
| Vote 5 - Community Services                       |     | -               | -               | -               | 3 767                | 450             | 450                | 450               | -   | -                      | -                      |
| Vote 6 - Institutional Support and Advancement    |     | -               | -               | -               | 1 530                | 1 430           | 1 430              | 1 430             | 1 210   | -                      | -                      |
| Vote 7 - Water Service Provision                  |     | -               | -               | -               | 68 290               | 68 290          | 68 290             | 68 290            | 84 000  | 88 620                 | 103 494                |
| Vote 8 - [NAME OF VOTE 8]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 9 - [NAME OF VOTE 9]                         |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 10 - [NAME OF VOTE 10]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - [NAME OF VOTE 11]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 12 - [NAME OF VOTE 12]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 13 - [NAME OF VOTE 13]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 14 - [NAME OF VOTE 14]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 15 - [NAME OF VOTE 15]                       |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Capital single-year expenditure sub-total         |     | -               | -               | -               | 75 022               | 81 565          | 81 565             | 81 565            | 87 410  | 88 620                 | 103 494                |
| <b>Total Capital Expenditure - Vote</b>           |     | -               | -               | -               | 225 522              | 194 838         | 194 838            | 194 838           | 240 934   | 309 120                | 256 241                |
| <b>Capital Expenditure - Functional</b>           |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Governance and administration</b>              |     | 231             | 1 494           | 1 790           | 2 670                | 12 530          | 12 530             | 12 530            | 3 410   | -                      | -                      |
| Executive and council                             |     |                 |                 |                 | 500                  | 500             | 500                | 500               |   |                        |                        |
| Finance and administration                        |     | 231             | 1 494           | 1 790           | 2 170                | 12 030          | 12 030             | 12 030            | 3 410   |                        |                        |
| Internal audit                                    |     |                 |                 |                 | -                    | -               | -                  | -                 |   |                        |                        |
| <b>Community and public safety</b>                |     | -               | -               | -               | 3 055                | 450             | 450                | 450               | -   | -                      | -                      |
| Community and social services                     |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Sport and recreation                              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Public safety                                     |     |                 |                 |                 | 3 000                | -               | -                  | -                 |   |                        |                        |
| Housing   |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Health  |     |                 |                 |                 | 55                   | 450             | 450                | 450               |   |                        |                        |
| <b>Economic and environmental services</b>        |     | -               | -               | -               | 151 477              | 113 103         | 113 103            | 113 103           | 153 524   | 220 500                | 152 747                |
| Planning and development                          |     |                 |                 |                 | 150 795              | 113 103         | 113 103            | 113 103           | 153 524   | 220 500                | 152 747                |
| Road transport                                    |     |                 |                 |                 | -                    | -               | -                  | -                 |   |                        |                        |
| Environmental protection                          |     |                 |                 |                 | 682                  | -               | -                  | -                 |   |                        |                        |
| <b>Trading services</b>                           |     | 179 407         | 229 363         | 123 301         | 68 320               | 68 756          | 68 756             | 68 756            | 84 000  | 88 620                 | 103 494                |
| Energy sources                                    |     |                 |                 |                 | -                    | -               | -                  | -                 |   |                        |                        |
| Water management                                  |     | 162 383         | 160 554         | 96 015          | 48 320               | 48 290          | 48 290             | 48 290            | 84 000  | 88 620                 | 103 494                |
| Waste water management                            |     | 17 024          | 68 809          | 27 286          | 20 000               | 20 466          | 20 466             | 20 466            |   |                        |                        |
| Waste management                                  |     |                 |                 |                 | -                    | -               | -                  | -                 |   |                        |                        |
| <b>Other</b>                                      |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Total Capital Expenditure - Functional</b>     | 3   | 179 638         | 230 857         | 125 091         | 225 522              | 194 838         | 194 838            | 194 838           | 240 934   | 309 120                | 256 241                |
| <b>Funded by:</b>                                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| National Government                               |     | 116 809         | 229 363         | 123 301         | 185 522              | 144 388         | 144 388            | 144 388           | 168 434   | 236 620                | 256 241                |
| Provincial Government                             |     | 62 358          |                 |                 | 40 000               | 40 000          | 40 000             | 40 000            |   |                        |                        |
| District Municipality                             |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Other transfers and grants                        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Transfers recognised - capital                    | 4   | 179 167         | 229 363         | 123 301         | 225 522              | 184 388         | 184 388            | 184 388           | 168 434   | 236 620                | 256 241                |
| Borrowing   | 6   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Internally generated funds                        |     | 471             | 1 494           | 1 790           |                      | 10 450          | 10 450             | 10 450            | 72 500  | 72 500                 |                        |
| <b>Total Capital Funding</b>                      | 7   | 179 638         | 230 857         | 125 091         | 225 522              | 194 838         | 194 838            | 194 838           | 240 934   | 309 120                | 256 241                |

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R 87 million for the 2019/20 financial year.
4. Multi-year capital expenditure has been appropriated at R 153 million for the 2019/20 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programmes are funded from national grants, provincial grants and external loans for the 2019/20 financial year.

**Table 13 MBRR NT A6 - Budgeted Financial Position**

DC14 Joe Gqabi - Table A6 Budgeted Financial Position

| Description                              | Ref | 2015/16          | 2016/17          | 2017/18          | Current Year 2018/19 |                  |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|---|------------------------|------------------------|
|  |     | Audited Outcome  | Audited Outcome  | Audited Outcome  | Original Budget      | Adjusted Budget  | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand                               |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| <b>ASSETS</b>                            |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Current assets                           |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Cash                                     |     | 16               | 30               | 687              | 673                  | 23 359           | 23 359             | (152)             | 59 142  | 63 059                 | 74 624                 |
| Call investment deposits                 | 1   | 5 021            | 2 155            | 11 968           | 4 343                | 4 343            | 4 343              | 4 343             | 12 000  | 13 500                 | 21 500                 |
| Consumer debtors                         | 1   | 59 765           | 149 977          | 154 076          | 121 295              | 121 294          | 121 294            | 121 294           | 145 510   | 163 346                | 184 942                |
| Other debtors                            |     | 38 396           | 22 164           | 23 438           | 26 275               | 26 275           | 26 275             | 26 275            | 26 275  | 25 665                 | 17 275                 |
| Current portion of long-term receivables |     |                  |                  |                  | -                    | -                |                    |                   |   |                        |                        |
| Inventory                                | 2   | 3 178            | 2 900            | 2 641            | 2 378                | 2 378            | 2 378              | 2 378             | 2 378   | 1 379                  | 1 881                  |
| <b>Total current assets</b>              |     | <b>106 376</b>   | <b>177 225</b>   | <b>192 809</b>   | <b>154 963</b>       | <b>177 650</b>   | <b>177 650</b>     | <b>154 138</b>    | <b>245 305</b>                                      | <b>266 948</b>         | <b>300 222</b>         |
| Non current assets                       |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Long-term receivables                    |     |                  |                  |                  | -                    | -                |                    |                   |   |                        |                        |
| Investments                              |     | 3 384            | 3 478            | 3 572            | 3 305                | 3 305            | 3 305              | 3 305             | 3 572   | 3 682                  | 3 572                  |
| Investment property                      |     | 2 534            | 2 484            | 2 439            | 2 534                | 2 534            | 2 534              | 2 534             | 2 393   | 2 348                  | 2 302                  |
| Investment in Associate                  |     |                  |                  |                  | -                    | -                |                    |                   |   |                        |                        |
| Property, plant and equipment            | 3   | 1 492 157        | 1 606 545        | 1 681 063        | 1 824 533            | 1 794 298        | 1 794 336          | 1 924 297         | 2 017 929   | 2 276 806              | 2 482 305              |
| Biological                               |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Intangible                               |     | 1 349            | 901              | 453              | 415                  | 315              | 315                | 315               | 364   | 196                    | 27                     |
| Other non-current assets                 |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| <b>Total non current assets</b>          |     | <b>1 498 075</b> | <b>1 612 506</b> | <b>1 688 423</b> | <b>1 831 273</b>     | <b>1 800 590</b> | <b>1 800 590</b>   | <b>1 930 450</b>  | <b>2 024 208</b>                                    | <b>2 283 150</b>       | <b>2 488 543</b>       |
| <b>TOTAL ASSETS</b>                      |     | <b>1 604 450</b> | <b>1 789 732</b> | <b>1 881 231</b> | <b>1 986 236</b>     | <b>1 978 240</b> | <b>1 978 240</b>   | <b>2 084 588</b>  | <b>2 269 513</b>                                    | <b>2 550 099</b>       | <b>2 788 765</b>       |
| <b>LIABILITIES</b>                       |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Current liabilities                      |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Bank overdraft                           | 1   | 2 615            | 5 673            |                  |                      |                  |                    |                   |   |                        |                        |
| Borrowing                                | 4   | 3 355            | 5 947            | 1 585            | 2 147                | 2 147            | 2 147              | 2 147             | 2 870   | 145 430                | 430                    |
| Consumer deposits                        |     | 890              | 935              | 958              | 900                  | 900              | 900                | 900               | 900   | 901                    | 903                    |
| Trade and other payables                 | 4   | 77 687           | 108 374          | 111 527          | 15 090               | 102 035          | 102 035            | 102 035           | 82 405  | 75 775                 | 71 205                 |
| Provisions                               |     | 22 909           | 24 937           | 30 859           | 22 922               | 22 922           | 22 922             | 22 922            | 22 922  | 22 922                 | 22 922                 |
| <b>Total current liabilities</b>         |     | <b>107 457</b>   | <b>145 865</b>   | <b>144 928</b>   | <b>41 059</b>        | <b>128 005</b>   | <b>128 005</b>     | <b>128 005</b>    | <b>109 097</b>                                      | <b>245 028</b>         | <b>95 460</b>          |
| Non current liabilities                  |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Borrowing                                |     | 12 613           | 6 667            | 7 506            | 9 562                | 9 562            | 9 562              | 7 506             | 76 568  | 6 718                  | 7 335                  |
| Provisions                               |     | 35 217           | 34 706           | 34 276           | 50 281               | 50 281           | 50 281             | 50 281            | 51 278  | 55 810                 | 60 342                 |
| <b>Total non current liabilities</b>     |     | <b>47 830</b>    | <b>41 373</b>    | <b>41 783</b>    | <b>59 843</b>        | <b>59 843</b>    | <b>59 843</b>      | <b>57 787</b>     | <b>127 846</b>                                      | <b>62 528</b>          | <b>67 678</b>          |
| <b>TOTAL LIABILITIES</b>                 |     | <b>155 287</b>   | <b>187 238</b>   | <b>186 711</b>   | <b>100 903</b>       | <b>187 848</b>   | <b>187 848</b>     | <b>185 792</b>    | <b>236 943</b>                                      | <b>307 556</b>         | <b>163 137</b>         |
| <b>NET ASSETS</b>                        | 5   | <b>1 449 164</b> | <b>1 602 494</b> | <b>1 694 521</b> | <b>1 885 334</b>     | <b>1 790 392</b> | <b>1 790 392</b>   | <b>1 898 796</b>  | <b>2 032 570</b>                                    | <b>2 242 542</b>       | <b>2 625 627</b>       |
| <b>COMMUNITY WEALTH/EQUITY</b>           |     |                  |                  |                  |                      |                  |                    |                   |   |                        |                        |
| Accumulated Surplus/(Deficit)            |     | 1 450 513        | 1 603 395        | 1 693 624        | 1 885 334            | 1 790 392        | 1 790 392          | 1 898 796         | 2 032 570   | 2 242 542              | 2 625 627              |
| Reserves                                 | 4   | -                | -                | -                | -                    | -                | -                  | -                 | -   | -                      | -                      |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | 5   | <b>1 450 513</b> | <b>1 603 395</b> | <b>1 693 624</b> | <b>1 885 334</b>     | <b>1 790 392</b> | <b>1 790 392</b>   | <b>1 898 796</b>  | <b>2 032 570</b>                                    | <b>2 242 542</b>       | <b>2 625 627</b>       |

## Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Please note that the Statement of Financial Position do not Balance up to Pre-audit outcome, due to an incorrect formula being in place on the protected worksheet.

Investment Property and Intangible assets were calculated per the table below:

| Classification and description             | Budget 2019/20      | Budget 2020/21      | Budget 2021/22      |
|--|---------------------|---------------------|---------------------|
|  |                     |                     |                     |
| <b>Investment Property</b>                 |                     |                     |                     |
| Cost - Opening Balance                     | 2 883 357,00        | 2 883 357,00        | 2 883 357,00        |
| Additions                                  | -                   |                     |                     |
| Accumulated Depreciation - Opening Balance | (444 509,00)        | (490 005,00)        | (535 501,00)        |
| Depreciation                               | (45 496,00)         | (45 496,00)         | (45 496,00)         |
|  | <b>2 393 352,00</b> | <b>2 347 856,00</b> | <b>2 302 360,00</b> |
|  |                     |                     |                     |
| <b>Intangible Assets</b>                   |                     |                     |                     |
| Cost - Opening Balance                     | 4 395 577,00        | 4 475 577,00        | 4 475 577,00        |
| Additions                                  | 80 000,00           | -                   | -                   |
| Accumulated Amortisation - Opening Balance | (3 942 754,00)      | (4 111 292,00)      | (4 279 830,00)      |
| Amortisation                               | (168 538,00)        | (168 538,00)        | (168 538,00)        |
|  | <b>364 285,00</b>   | <b>195 747,00</b>   | <b>27 209,00</b>    |
|  |                     |                     |                     |

**Table 14 MBRR NT A7 - Budgeted Cash Flow Statement**

DC14 Joe Gqabi - Table A7 Budgeted Cash Flows

| Description                                       | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates                                    |     |                 |                 |                 | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Service charges                                   |     | 45 000          | 50 925          | 35 765          | 63 942               | 63 942          | 63 942             | 63 942            | 66 824  | 62 904                 | 65 745                 |
| Other revenue                                     |     |                 |                 |                 | 2 826                | 2 826           | 2 826              | 2 826             | 1 581   | 656                    | 662                    |
| Government - operating                            | 1   | 285 698         | 326 333         | 410 224         | 368 286              | 386 716         | 386 716            | 386 716           | 450 219   | 356 173                | 353 993                |
| Government - capital                              | 1   | 203 357         | 250 802         | 132 636         | 209 500              | 191 763         | 191 763            | 191 763           | 165 025   | 236 620                | 401 241                |
| Interest  |     | 4 300           | 3 309           | 26 745          | 13 637               | 13 637          | 13 637             | 13 637            | 6 720   | 7 078                  | 5 044                  |
| Dividends   |     |                 |                 |                 | –                    | –               | –                  | –                 | –   | –                      | –                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Suppliers and employees                           |     | (385 124)       | (407 857)       | (459 522)       | (412 556)            | (421 196)       | (421 196)          | (421 196)         | (472 814)   | (400 346)              | (395 817)              |
| Finance charges                                   |     | (1 756)         | 5 916           | (1 113)         | (3 097)              | (3 097)         | (3 097)            | (3 097)           | (3 097)   | (7 913)                | (5 867)                |
| Transfers and Grants                              | 1   |                 | (7 879)         |                 | (9 305)              | (9 355)         | (9 355)            | (9 355)           | (11 715)  | (11 765)               | (11 765)               |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  |     | 151 474         | 221 549         | 144 735         | 233 234              | 225 237         | 225 237            | 225 237           | 202 743   | 243 407                | 413 236                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Proceeds on disposal of PPE                       |     |                 |                 |                 |                      |                 |                    |                   | –   | –                      | –                      |
| Decrease (Increase) in non-current debtors        |     |                 |                 |                 |                      |                 |                    |                   | –   | –                      | –                      |
| Decrease (increase) other non-current receivables |     |                 |                 |                 |                      |                 |                    |                   | –   | –                      | –                      |
| Decrease (increase) in non-current investments    |     |                 |                 |                 |                      |                 |                    |                   | –   | –                      | –                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital assets                                    |     | (179 638)       | (230 857)       | (125 091)       | (225 522)            | (194 838)       | (194 838)          | (194 838)         | (240 934)   | (309 120)              | (256 241)              |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  |     | (179 638)       | (230 857)       | (125 091)       | (225 522)            | (194 838)       | (194 838)          | (194 838)         | (240 934)   | (309 120)              | (256 241)              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Short term loans                                  |     |                 |                 |                 |                      |                 |                    |                   | –   | –                      | –                      |
| Borrowing long term/refinancing                   |     |                 |                 |                 |                      |                 |                    |                   | 72 500  | 72 500                 | –                      |
| Increase (decrease) in consumer deposits          |     | 22              | 44              | 23              |                      |                 |                    |                   | –   | –                      | –                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Repayment of borrowing                            |     | (3 228)         | 3 354           | (3 524)         | (5 905)              | (5 905)         | (5 905)            | (5 905)           | (2 870)   | (2 870)                | (145 430)              |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  |     | (3 207)         | 3 398           | (3 501)         | (5 905)              | (5 905)         | (5 905)            | (5 905)           | 69 630  | 69 630                 | (145 430)              |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      |     | (31 370)        | (5 909)         | 16 142          | 1 807                | 24 494          | 24 494             | 24 494            | 31 439  | 3 917                  | 11 565                 |
| Cash/cash equivalents at the year begin:          | 2   | 33 792          | 2 422           | (3 488)         | 3 209                | 3 209           | 3 209              | 3 209             | 27 702  | 59 142                 | 63 059                 |
| Cash/cash equivalents at the year end:            | 2   | 2 422           | (3 488)         | 12 655          | 5 016                | 27 702          | 27 702             | 27 702            | 59 142  | 63 059                 | 74 624                 |

## **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

## **Part 2 – Supporting Documentation**

### **2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor and/or MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### **2.2 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year, a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2018. In accordance with the original budget time schedule the Draft IDP and annual budget for 2019/20 to be and was adopted by Council on 28 March 2019. In accordance with the original budget time schedule the Final IDP and annual budget for 2019/20 have to be adopted by Council on 31 May 2018.

#### **2.2.1 Financial Modeling and Key Planning Drivers**

As part of the compilation of the 2019/20 MTREF, financial modelling to ensure affordability and long-term financial sustainability, was undertaken. The following key factors and planning strategies have informed the compilation of the 2019/20 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2018/19 adjustments budget and performance against the SDBIP.

- Cash Flow Management Strategy.
- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 66 has been taken into consideration in the planning and prioritisation process.

### **2.2.2 Community Consultation**

The Final 2019/20 MTREF will be tabled before Council for community consultation. Thereafter it will be published on the municipality's website, and hard copies made available at, municipal notice boards and various municipal offices.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2019/20 MTREF

## **2.3 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear



understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

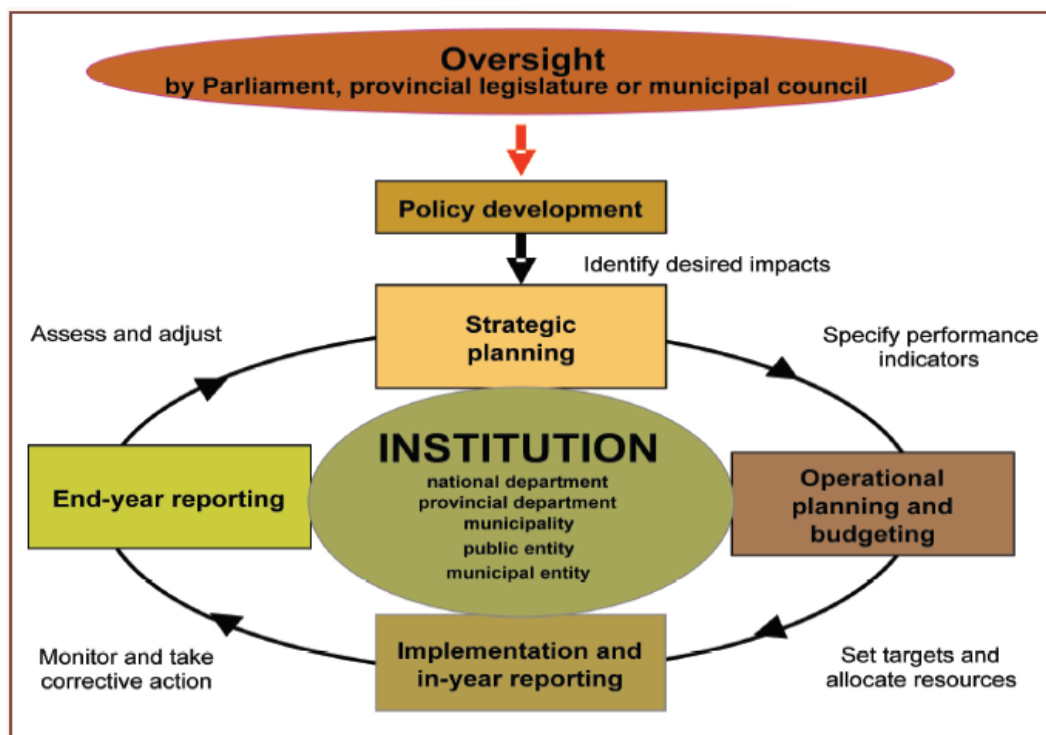
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the five key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

## **2.4 Measurable performance objectives and indicators**

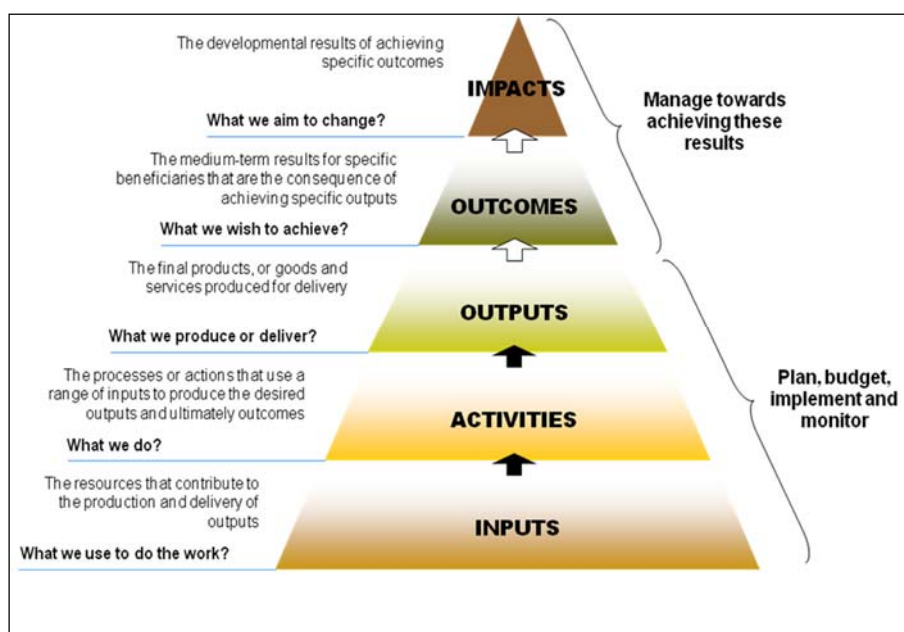
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table sets out the municipality's main performance objectives and benchmarks for the 2019/20 MTREF.

**Table 15 MBRR NT SA8 – Performance indicators and benchmarks**

DC14 Joe Gqabi - Supporting Table SA8 Performance indicators and benchmarks

| Description of financial indicator   | Basis of calculation   | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>Borrowing Management</b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Credit Rating</b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital Charges to Operating Expenditure                                       | Interest & Principal Paid /Operating Expenditure   | 1,9%            | 0,5%            | 1,6%            | 1,6%                 | 1,6%            | 1,6%               | 1,6%              | 1,7%  | 2,2%                   | 31,3%                  |
| Capital Charges to Own Revenue   | Finance charges & Repayment of borrowing /Own Revenue  | 8,5%            | 1,9%            | 8,7%            | 4,9%                 | 4,9%            | 4,9%               | 4,9%              | 5,2%  | 5,7%                   | 77,0%                  |
| Borrowed funding of 'own' capital expenditure                                  | Borrowing/Capital expenditure excl. transfers and grants and contributions                     | 0,0%            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 100,0%  | 100,0%                 | 0,0%                   |
| <b>Safety of Capital</b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Gearing  | Long Term Borrowing/ Funds & Reserves  | 0,0%            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| <b>Liquidity</b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Current Ratio  | Current assets/current liabilities   | 1,0             | 1,2             | 1,3             | 3,8                  | 1,4             | 1,4                | 1,2               | 2,2   | 1,1                    | 3,1                    |
| Current Ratio adjusted for aged debtors  | Current assets less debtors > 90 days/current liabilities                                      | 1,0             | 1,2             | 1,3             | 3,8                  | 1,4             | 1,4                | 1,2               | 2,2   | 1,1                    | 3,1                    |
| Liquidity Ratio  | Monetary Assets/Current Liabilities  | 0,0             | 0,0             | 0,1             | 0,1                  | 0,2             | 0,2                | 0,0               | 0,7   | 0,3                    | 1,0                    |
| <b>Revenue Management</b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Annual Debtors Collection Rate (Payment Level %)                               | Last 12 Mths Receipts/Last 12 Mths Billing   |                 | 54,5%           | 55,6%           | 46,4%                | 40,0%           | 40,0%              | 40,0%             | 40,0%   | 40,0%                  | 40,0%                  |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue) |  | 54,5%           | 55,6%           | 46,4%           | 40,0%                | 40,0%           | 40,0%              | 40,0%             | 40,0%   | 40,0%                  | 40,0%                  |
| Outstanding Debtors to Revenue   | Total Outstanding Debtors to Annual Revenue  | 22,9%           | 38,1%           | 34,5%           | 26,5%                | 25,8%           | 25,8%              | 25,8%             | 26,4%   | 34,6%                  | 36,7%                  |
| Longstanding Debtors Recovered   | Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old                                      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Creditors Management</b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Creditors System Efficiency  | % of Creditors Paid Within Terms (within 'MFMA' s 65(e))                                       |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Creditors to Cash and Investments  |  | 3208,1%         | -3107,2%        | 881,3%          | 283,0%               | 163,4%          | 163,4%             | 163,4%            | 137,8%  | 118,7%                 | 94,2%                  |
| <b>Other Indicators</b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Electricity Distribution Losses (2)  | Total Volume Losses (kW)   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  | Total Cost of Losses (Rand '000)   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  | % Volume (units purchased and generated less units sold)/units purchased and generated         |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Water Distribution Losses (2)  | Total Volume Losses (kℓ)   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  | Total Cost of Losses (Rand '000)   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  | % Volume (units purchased and generated less units sold)/units purchased and generated         |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee costs   | Employee costs/(Total Revenue - capital revenue)   | 38,3%           | 41,4%           | 40,8%           | 36,4%                | 35,7%           | 35,7%              | 35,7%             | 34,1%   | 39,5%                  | 41,3%                  |
| Remuneration   | Total remuneration/(Total Revenue - capital revenue)   | 0,0%            | 0,0%            | 0,0%            | 37,5%                | 36,8%           | 36,8%              |                   | 32,1%   | 40,7%                  | 42,5%                  |
| Repairs & Maintenance  | R&M/(Total Revenue excluding capital revenue)  | 1,5%            | 2,7%            | 1,4%            | 17,9%                | 15,9%           | 15,9%              |                   | 9,2%  | 9,6%                   | 10,0%                  |
| Finance charges & Depreciation   | FC&D/(Total Revenue - capital revenue)   | 12,1%           | 12,0%           | 10,6%           | 9,5%                 | 9,3%            | 9,3%               | 9,3%              | 8,9%  | 10,7%                  | 10,3%                  |
| <b>IDP regulation financial viability indicators</b>                           |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| i. Debt coverage   | (Total Operating Revenue - Operating Grants)/(Debt service payments due within financial year) | (2 353,9)       | 4,5             | 5,4             | 9,8                  | 9,8             | 9,8                | 19,7              | 20,0  | 1,3                    | 1,3                    |
| ii.O/S Service Debtors to Revenue  | Total outstanding service debtors/annual revenue received for services                         | 118,8%          | 187,8%          | 230,1%          | 91,9%                | 92,3%           | 92,3%              | 92,3%             | 102,8%  | 120,2%                 | 123,0%                 |
| iii. Cost coverage   | (Available cash + Investments)/monthly fixed operational expenditure                           | 0,1             | (0,1)           | 0,4             | 0,1                  | 0,7             | 0,7                | 0,7               | 1,4   | 1,8                    | 3,5                    |

## 2.5 Performance indicators and benchmarks

### 2.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Joe Gqabi District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2019/20 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has increased from 1.6 percent in 2018/19 to 1.7 percent in 2019/20. This increase can be attributed to the estimated front loading loans budgeted for. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

#### 2.5.1.1 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio has been consistent at 0.04 percent.

#### 2.5.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2019/20 MTREF the current ratio is 2.2:1. The estimated levels are better than industry norms.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2018/19 financial year original budget the ratio was 1 and it has decreased to 0.2 in the adjustment budget. This however improved to 0.7 for the 2019/20 financial year. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1 which will be exceeded in the MTREF.

#### *2.5.1.3 Other Indicators*

- Employee costs as a percentage of operating revenue decreased from 35.7 percent during the 2018/19 financial year to 34.1 percent in the 2019/20 financial year and increases steadily over the MTREF.

### **2.5.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 6 kl of water per month fully subsidised.
- All registered indigents, including consumers in the rural areas, will only be charged a flat rate for Water and Sanitation consumption and not a step tariff.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## **2.6 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.6.1 Review of credit control and debt collection procedures/policies**

The Credit Control and Debt Collection Policy has been approved by Council in May 2012. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2019/20 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 40 percent on current billings (30 percent on conventional consumers and 100 percent on pre-paid consumers). In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. The Joe Gqabi Development Agency is assessing how it would be able to assist the municipality to recover historical debt.

### **2.6.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **2.6.3 Supply Chain Management Policy**

No changes were made to the existing Supply Chain Management Policy.

### **2.6.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. With the implementation of mSCOA, virements from repairs and maintenance to operating expenditure will not be possible. This is to improve the municipality's ratio to Property, plant and equipment or total operating expenditure, which has been below the recommended threshold in recent years.

### **2.6.5 Cash Management and Investment Policy**

No changes were made to the Municipality's Cash Management and Investment Policy. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

### **2.6.6 Tariff Policy**

The Municipality's tariff policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation over the next two years.

## **2.7 Overview of budget assumptions**

### **2.7.1 External factors**

Owing to the economic slowdown, financial resources are limited. This has resulted in declining cash inflows. This together with the increase in the Value Added Tax rate has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **2.7.2 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2019/20 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk water; and
- The increase in the cost of remuneration. The wage agreement negotiated by SALGBC.

### **2.7.3 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. The Collection rate has been budgeted at 30% of the conventional and 100% of the pre-paid Service Charges. The debt collection policy will be reviewed in order to (after conducting public participation) to allow the municipality to deduct a percentage of pre-paid water sales as part payment towards the relevant consumers' arrears.

### **2.7.4 Salary increases**

The salary increase amounted to 7.1%, as per the collective agreement regarding salaries/wages for the 2019/20 financial year.

### **2.7.5 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Strengthening financial management in public sector

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### **2.7.6 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2019/20 MTREF of which performance has been factored into the cash flow budget. The municipality has limited funding. Programmes and Service Delivery have been prioritised.



## 2.8 Overview of budget funding

### 2.8.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 16 Breakdown of the operating revenue over the medium-term**

| Description                               | Draft Budget 2019/20  | Budget 2019/20        | Budget 2020/21        | Budget 2021/22        |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Grants & Subsidies Received - Capital     | 243 757 600,00        | 165 024 600,00        | 236 620 000,00        | 401 241 000,00        |
| Grants & Subsidies Received - Operational | 344 818 400,00        | 450 218 700,00        | 356 173 000,00        | 353 993 000,00        |
| Income for Agency Services                | -                     | 533 334,00            | -                     | -                     |
| Interest Earned - External Investments    | 6 720 437,00          | 6 720 437,00          | 7 077 667,00          | 5 044 277,00          |
| Interest Earned - Outstanding             | 24 018 138,00         | 24 018 138,00         | 24 969 000,00         | 26 467 140,00         |
| Other Revenue                             | 1 048 000,00          | 1 048 000,00          | 656 000,00            | 662 000,00            |
| Nett Service charges                      | 167 059 138,00        | 167 059 138,00        | 157 259 370,00        | 164 361 314,00        |
| Service Charges                           | 357 490 638,00        | 357 490 638,00        | 359 116 760,00        | 378 330 835,00        |
| Less: Free Basic Services                 | (190 155 500,00)      | (190 155 500,00)      | (201 564 830,00)      | (213 659 521,00)      |
| Less: Revenue Foregone                    | (276 000,00)          | (276 000,00)          | (292 560,00)          | (310 000,00)          |
| <b>Grand Total</b>                        | <b>787 421 713,00</b> | <b>814 622 347,00</b> | <b>782 755 037,00</b> | <b>951 768 731,00</b> |

### 2.8.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2019/20 medium-term capital programme:

**Table 17 Sources of capital revenue over the MTREF**

| Source of Funding   | Draft Budget 2019/20 | Budget 2019/20 | Budget 2020/21 | Budget 2021/22 |
|---------------------|----------------------|----------------|----------------|----------------|
| National Government | 247 167 600,00       | 168 434 000,00 | 236 620 000,00 | 256 241 000,00 |
| Borrowing           | 72 500 000,00        | 72 500 000,00  | 72 500 000,00  |                |
|                     | 319 667 600,00       | 240 934 000,00 | 309 120 000,00 | 256 241 000,00 |

The capital programmes are funded from National Grants and transfers, as well as internally generated funds and Borrowings. Internally generated funds comprise of Water and Sanitation Service Charges.

The Municipal Infrastructure Grant funding are distributed as follows:

| MIG Expenditure Classification | Top Slice    | Projects       | Total          |
|--------------------------------|--------------|----------------|----------------|
| Capital expenditure            | -            | 81 024 000,00  | 81 024 000,00  |
| Operational expenditure        | 7 843 400,00 | 68 000 600,00  | 75 844 000,00  |
|                                | 7 843 400,00 | 149 024 600,00 | 156 868 000,00 |



## 2.8.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 18 MBRR NT A7 - Budget cash flow statement**

DC14 Joe Gqabi - Table A7 Budgeted Cash Flows

| Description                                       | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates                                    |     |                 |                 |                 | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Service charges                                   |     | 45 000          | 50 925          | 35 765          | 63 942               | 63 942          | 63 942             | 63 942            | 66 824  | 62 904                 | 65 745                 |
| Other revenue                                     |     |                 |                 |                 | 2 826                | 2 826           | 2 826              | 2 826             | 1 581   | 656                    | 662                    |
| Government - operating                            | 1   | 285 698         | 326 333         | 410 224         | 368 286              | 386 716         | 386 716            | 386 716           | 450 219   | 356 173                | 353 993                |
| Government - capital                              | 1   | 203 357         | 250 802         | 132 636         | 209 500              | 191 763         | 191 763            | 191 763           | 165 025   | 236 620                | 401 241                |
| Interest  |     | 4 300           | 3 309           | 26 745          | 13 637               | 13 637          | 13 637             | 13 637            | 6 720   | 7 078                  | 5 044                  |
| Dividends   |     |                 |                 |                 | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Suppliers and employees                           |     | (385 124)       | (407 857)       | (459 522)       | (412 556)            | (421 196)       | (421 196)          | (421 196)         | (472 814)   | (400 346)              | (395 817)              |
| Finance charges                                   |     | (1 756)         | 5 916           | (1 113)         | (3 097)              | (3 097)         | (3 097)            | (3 097)           | (3 097)   | (7 913)                | (5 867)                |
| Transfers and Grants                              | 1   |                 | (7 879)         |                 | (9 305)              | (9 355)         | (9 355)            | (9 355)           | (11 715)  | (11 765)               | (11 765)               |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  |     | 151 474         | 221 549         | 144 735         | 233 234              | 225 237         | 225 237            | 225 237           | 202 743   | 243 407                | 413 236                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Proceeds on disposal of PPE                       |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Decrease (Increase) in non-current debtors        |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Decrease (increase) other non-current receivables |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Decrease (increase) in non-current investments    |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital assets                                    |     | (179 638)       | (230 857)       | (125 091)       | (225 522)            | (194 838)       | (194 838)          | (194 838)         | (240 934)   | (309 120)              | (256 241)              |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  |     | (179 638)       | (230 857)       | (125 091)       | (225 522)            | (194 838)       | (194 838)          | (194 838)         | (240 934)   | (309 120)              | (256 241)              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Short term loans                                  |     |                 |                 |                 |                      |                 |                    |                   | -   | -                      | -                      |
| Borrowing long term/refinancing                   |     |                 |                 |                 |                      |                 |                    |                   | 72 500  | 72 500                 | -                      |
| Increase (decrease) in consumer deposits          |     | 22              | 44              | 23              |                      |                 |                    |                   | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Repayment of borrowing                            |     | (3 228)         | 3 354           | (3 524)         | (5 905)              | (5 905)         | (5 905)            | (5 905)           | (2 870)   | (2 870)                | (145 430)              |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  |     | (3 207)         | 3 398           | (3 501)         | (5 905)              | (5 905)         | (5 905)            | (5 905)           | 69 630  | 69 630                 | (145 430)              |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>       |     | (31 370)        | (5 909)         | 16 142          | 1 807                | 24 494          | 24 494             | 24 494            | 31 439  | 3 917                  | 11 565                 |
| Cash/cash equivalents at the year begin:          | 2   | 33 792          | 2 422           | (3 488)         | 3 209                | 3 209           | 3 209              | 3 209             | 27 702  | 59 142                 | 63 059                 |
| Cash/cash equivalents at the year end:            | 2   | 2 422           | (3 488)         | 12 655          | 5 016                | 27 702          | 27 702             | 27 702            | 59 142  | 63 059                 | 74 624                 |

## 2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 19 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation**

DC14 Joe Gqabi - Table A8 Cash backed reserves/accumulated surplus reconciliation

| Description                                       | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>Cash and investments available</b>             |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end             | 1   | 2 422           | (3 488)         | 12 655          | 5 016                | 27 702          | 27 702             | 27 702            | 59 142  | 63 059                 | 74 624                 |
| Other current investments > 90 days               |     | -               | -               | 0               | 0                    | 0               | 0                  | (23 512)          | 12 000  | 13 500                 | 21 500                 |
| Non current assets - Investments                  | 1   | 3 384           | 3 478           | 3 572           | 3 305                | 3 305           | 3 305              | 3 305             | 3 572   | 3 682                  | 3 572                  |
| <b>Cash and investments available:</b>            |     | <b>5 805</b>    | <b>(10)</b>     | <b>16 226</b>   | <b>8 321</b>         | <b>31 008</b>   | <b>31 008</b>      | <b>7 496</b>      | <b>74 713</b>                                       | <b>80 241</b>          | <b>99 695</b>          |
| <b>Application of cash and investments</b>        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Unspent conditional transfers                     |     | -               | -               | -               | -                    | 55 879          | 55 879             | 55 879            | -   | -                      | -                      |
| Unspent borrowing                                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Statutory requirements                            | 2   |                 |                 |                 |                      |                 |                    |                   | (4 863)   | (4 596)                | (3 543)                |
| Other working capital requirements                | 3   | 33 885          | 42 673          | 48 652          | (38 583)             | (8 024)         | (8 024)            | (8 024)           | 20 513  | 9 188                  | 180                    |
| Other provisions                                  |     |                 |                 |                 |                      |                 |                    |                   | 22 922  | 22 922                 | 22 922                 |
| Long term investments committed                   | 4   | -               | -               | -               | -                    | -               | -                  | -                 | 1 677   | 1 677                  | 1 677                  |
| Reserves to be backed by cash/investments         | 5   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Total Application of cash and investments:</b> |     | <b>33 885</b>   | <b>42 673</b>   | <b>48 652</b>   | <b>(38 583)</b>      | <b>47 855</b>   | <b>47 855</b>      | <b>47 855</b>     | <b>40 250</b>                                       | <b>29 192</b>          | <b>21 237</b>          |
| <b>Surplus(shortfall)</b>                         |     | <b>(28 080)</b> | <b>(42 683)</b> | <b>(32 426)</b> | <b>46 904</b>        | <b>(16 848)</b> | <b>(16 848)</b>    | <b>(40 360)</b>   | <b>34 463</b>                                       | <b>51 049</b>          | <b>78 458</b>          |

## **2.8.5 Funding compliance measurement**

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

### *2.8.5.1 Cash/cash equivalent position*

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

### *2.8.5.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

### *2.8.5.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

### *2.8.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

**Table 20 MBRR NT SA10 - Funding compliance measurement**

DC14 Joe Gqabi Supporting Table SA10 Funding measurement

| Description  | MFMA section | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    |                   | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|--------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |              |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| Funding measures   |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end - R'000                          | 18(1)b       | 1   | 2 422           | (3 488)         | 12 655          | 5 016                | 27 702          | 27 702             | 27 702            | 59 142  | 63 059                 | 74 624                 |
| Cash + investments at the yr end less applications - R'000             | 18(1)b       | 2   | (28 080)        | (42 683)        | (32 426)        | 46 904               | (16 848)        | (16 848)           | (40 360)          | 34 463  | 51 049                 | 78 458                 |
| Cash year end/monthly employee/supplier payments                       | 18(1)b       | 3   | 0,1             | (0,1)           | 0,4             | 0,1                  | 0,7             | 0,7                | 0,7               | 1,4   | 1,8                    | 3,5                    |
| Surplus/(Deficit) excluding depreciation offsets: R'000                | 18(1)        | 4   | 159 419         | 200 183         | 82 726          | 199 690              | 145 604         | 145 604            | 145 604           | 216 186   | 282 534                | 469 049                |
| Service charge rev % change - macro CPIX target exclusive              | 18(1)a,(2)   | 5   | N.A.            | 5,0%            | (21,9%)         | 101,2%               | (6,0%)          | (6,0%)             | (6,0%)            | (1,5%)  | (11,9%)                | (1,5%)                 |
| Cash receipts % of Ratepayer & Other revenue                           | 18(1)a,(2)   | 6   | 44,6%           | 38,2%           | 35,4%           | 35,8%                | 36,1%           | 36,1%              | 36,1%             | 35,5%   | 34,8%                  | 34,7%                  |
| Debt impairment expense as a % of total billable revenue               | 18(1)a,(2)   | 7   | 69,8%           | 41,1%           | 42,8%           | 46,9%                | 46,9%           | 46,9%              | 46,9%             | 45,5%   | 48,7%                  | 46,9%                  |
| Capital payments % of capital expenditure                              | 18(1)c,(19)  | 8   | 0,0%            | 0,0%            | 0,0%            | 100,0%               | 100,0%          | 100,0%             | 100,0%            | 100,0%  | 100,0%                 | 100,0%                 |
| Borrowing receipts % of capital expenditure (excl. transfers)          | 18(1)c       | 9   | 0,0%            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 100,0%  | 100,0%                 | 0,0%                   |
| Grants % of Govt. legislated/gazetted allocations                      | 18(1)a       | 10  |                 |                 |                 |                      |                 |                    |                   | 0,0%  | 0,0%                   | 0,0%                   |
| Current consumer debtors % change - incr(decr)                         | 18(1)a       | 11  | N.A.            | 75,4%           | 3,1%            | (16,9%)              | 0,0%            | 0,0%               | 0,0%              | 16,4%   | 10,0%                  | 7,0%                   |
| Long term receivables % change - incr(decr)                            | 18(1)a       | 12  | N.A.            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| R&M % of Property Plant & Equipment                                    | 20(1)(vi)    | 13  | 0,4%            | 0,7%            | 0,4%            | 5,4%                 | 5,1%            | 5,1%               | 3,1%              | 3,0%  | 2,3%                   | 2,2%                   |
| Asset renewal % of capital budget                                      | 20(1)(vi)    | 14  | 0,0%            | 0,0%            | 0,0%            | 67,0%                | 0,0%            | 0,0%               | 0,0%              | 18,7%   | 28,7%                  | 40,4%                  |
| Total Operating Revenue  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  |              |     | 427 934         | 451 552         | 515 258         | 556 830              | 571 297         | 571 297            | 571 297           | 649 598   | 546 135                | 550 528                |
| Total Operating Expenditure  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  |              |     | 471 872         | 502 171         | 565 168         | 568 825              | 600 151         | 600 151            | 600 151           | 598 437   | 500 221                | 482 720                |
| Operating Performance Surplus/(Deficit)                                |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  |              |     | (43 938)        | (50 619)        | (49 910)        | (11 995)             | (28 854)        | (28 854)           | (28 854)          | 51 161  | 45 914                 | 67 808                 |
| Cash and Cash Equivalents (30 June 2012)                               |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
|  |              |     |                 |                 |                 |                      |                 |                    |                   | 59 142  |                        |                        |
| Revenue  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| % Increase in Total Operating Revenue                                  |              |     |                 | 5,5%            | 14,1%           | 8,1%                 | 2,6%            | 0,0%               | 0,0%              | 13,7%   | (15,9%)                | 0,8%                   |
| % Increase in Property Rates Revenue                                   |              |     |                 | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| % Increase in Electricity Revenue                                      |              |     |                 | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| % Increase in Property Rates & Services Charges                        |              |     |                 | 11,0%           | (15,9%)         | 107,2%               | 0,0%            | 0,0%               | 0,0%              | 4,5%  | (5,9%)                 | 4,5%                   |
| Expenditure  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| % Increase in Total Operating Expenditure                              |              |     |                 | 6,4%            | 12,5%           | 0,6%                 | 5,5%            | 0,0%               | 0,0%              | (0,3%)  | (16,4%)                | (3,5%)                 |
| % Increase in Employee Costs   |              |     |                 | 14,1%           | 12,5%           | (3,6%)               | 0,7%            | 0,0%               | 0,0%              | 8,5%  | (2,4%)                 | 5,4%                   |
| % Increase in Electricity Bulk Purchases                               |              |     |                 | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 0,0%  | 0,0%                   | 0,0%                   |
| Average Cost Per Budgeted Employee Position (Remuneration)             |              |     |                 | 0               | 0               | 0                    |                 |                    |                   | 0   |                        |                        |
| Average Cost Per Councillor (Remuneration)                             |              |     |                 | 0               | 0               | 0                    |                 |                    |                   | 0   |                        |                        |
| R&M % of PPE   |              |     | 0,4%            | 0,7%            | 0,4%            | 5,4%                 | 5,1%            | 5,1%               |                   | 3,0%  | 2,3%                   | 2,2%                   |
| Asset Renewal and R&M as a % of PPE                                    |              |     | 0,0%            | 1,0%            | 0,0%            | 14,0%                | 5,0%            | 5,0%               |                   | 13,0%   | 16,0%                  | 13,0%                  |
| Debt Impairment % of Total Billable Revenue                            |              |     | 69,8%           | 41,1%           | 42,8%           | 46,9%                | 46,9%           | 46,9%              | 46,9%             | 45,5%   | 48,7%                  | 46,9%                  |
| Capital Revenue  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Internally Funded & Other (R'000)                                      |              |     | 471             | 1 494           | 1 790           | -                    | 10 450          | 10 450             | 10 450            | -   | -                      | -                      |
| Borrowing (R'000)  |              |     | -               | -               | -               | -                    | -               | -                  | -                 | 72 500  | 72 500                 | -                      |
| Grant Funding and Other (R'000)  |              |     | 179 167         | 229 363         | 123 301         | 225 522              | 184 388         | 184 388            | 184 388           | 168 434   | 236 620                | 256 241                |
| Internally Generated funds % of Non Grant Funding                      |              |     | 100,0%          | 100,0%          | 100,0%          | 0,0%                 | 100,0%          | 100,0%             | 100,0%            | 0,0%  | 0,0%                   | 0,0%                   |
| Borrowing % of Non Grant Funding                                       |              |     | 0,0%            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 100,0%  | 100,0%                 | 0,0%                   |
| Grant Funding % of Total Funding                                       |              |     | 99,7%           | 99,4%           | 98,6%           | 100,0%               | 94,6%           | 94,6%              | 94,6%             | 69,9%   | 76,5%                  | 100,0%                 |
| Capital Expenditure  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Total Capital Programme (R'000)  |              |     | 179 638         | 230 857         | 125 091         | 225 522              | 194 838         | 194 838            | 194 838           | 240 934   | 309 120                | 256 241                |
| Asset Renewal  |              |     | -               | -               | -               | 151 100              | -               | -                  | -                 | 198 524   | 309 120                | 256 241                |
| Asset Renewal % of Total Capital Expenditure                           |              |     | 0,0%            | 0,0%            | 0,0%            | 67,0%                | 0,0%            | 0,0%               | 0,0%              | 82,4%   | 100,0%                 | 100,0%                 |
| Cash   |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash Receipts % of Rate Payer & Other                                  |              |     | 44,6%           | 38,2%           | 35,4%           | 35,8%                | 36,1%           | 36,1%              | 36,1%             | 35,5%   | 34,8%                  | 34,7%                  |
| Cash Coverage Ratio  |              |     | 0               | (0)             | 0               | 0                    | 0               | 0                  | 0                 | 0   | 0                      | 0                      |
| Borrowing  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Credit Rating (2009/10)  |              |     |                 |                 |                 |                      |                 |                    |                   | 0   |                        |                        |
| Capital Charges to Operating   |              |     | 1,9%            | 0,5%            | 1,6%            | 1,6%                 | 1,6%            | 1,6%               | 1,6%              | 1,7%  | 2,2%                   | 31,3%                  |
| Borrowing Receipts % of Capital Expenditure                            |              |     | 0,0%            | 0,0%            | 0,0%            | 0,0%                 | 0,0%            | 0,0%               | 0,0%              | 100,0%  | 100,0%                 | 0,0%                   |
| Reserves   |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Surplus/(Deficit)  |              |     | (28 080)        | (42 683)        | (32 426)        | 46 904               | (16 848)        | (16 848)           | (40 360)          | 34 463  | 51 049                 | 78 458                 |
| Free Services  |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Free Basic Services as a % of Equitable Share                          |              |     | 0,0%            | 0,0%            | 0,0%            | 73,4%                | 73,4%           | 73,4%              |                   | 69,5%   | 68,8%                  | 67,9%                  |
| Free Services as a % of Operating Revenue (excl operational transfers) |              |     | 0,0%            | 0,0%            | 0,0%            | 0,1%                 | 0,1%            | 0,1%               |                   | 0,1%  | 0,2%                   | 0,2%                   |
| High Level Outcome of Funding Compliance                               |              |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Total Operating Revenue  |              |     | 427 934         | 451 552         | 515 258         | 556 830              | 571 297         | 571 297            | 571 297           | 649 598   | 546 135                | 550 528                |
| Total Operating Expenditure  |              |     | 471 872         | 502 171         | 565 168         | 568 825              | 600 151         | 600 151            | 600 151           | 598 437   | 500 221                | 482 720                |
| Surplus/(Deficit) Budgeted Operating Statement                         |              |     | (43 938)        | (50 619)        | (49 910)        | (11 995)             | (28 854)        | (28 854)           | (28 854)          | 51 161  | 45 914                 | 67 808                 |
| Surplus/(Deficit) Considering Reserves and Cash Backing                |              |     | (28 080)        | (42 683)        | (32 426)        | 46 904               | (16 848)        | (16 848)           | (40 360)          | 34 463  | 51 049                 | 78 458                 |
| MTREF Funded (1) / Unfunded (0)  | 15           | 0   | 0               |                 |                 | 1                    | 0               | 0                  | 0                 | 1   | 1                      | 1                      |
| MTREF Funded ✓ / Unfunded ✗  | 15           | ✗   | ✗               | ✗               | ✓               | ✗                    | ✗               | ✗                  | ✗                 | ✓   | ✓                      | ✓                      |

#### *2.8.5.5 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.8.5.6 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

#### *2.8.5.7 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### *2.8.5.8 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

#### *2.8.5.9 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a existing asset renewal/upgrading project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.9 Expenditure on grants and reconciliations of unspent funds

**Table 21 MBRR SA19 - Expenditure on transfers and grant programmes**

DC14 Joe Gqabi - Supporting Table SA19 Expenditure on transfers and grant programme

| Description   | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>EXPENDITURE:</b>   | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <u>Operating expenditure of Transfers and Grants</u>                              |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:  |     | -               | -               | -               | 417 596              | 417 596         | 417 596            | 415 143   | 355 173                | 352 993                |
| Local Government Equitable Share  |     |                 |                 |                 | 258 283              | 258 283         | 258 283            | 270 387   | 293 181                | 314 679                |
| Municipal Infrastructure Grant (MIG)  |     |                 |                 |                 | 153 554              | 153 554         | 153 554            | 75 844  | 58 034                 | 34 221                 |
| Road Asset Management Systems Grant [Schedule 5B]                                 |     |                 |                 |                 | 2 185                | 2 185           | 2 185              | 2 315   | 2 448                  | 2 583                  |
| Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B] |     |                 |                 |                 | 2 254                | 2 254           | 2 254              | 1 504   | -                      | -                      |
| Local Government Financial Management Grant [Schedule 5B]                         |     |                 |                 |                 | 1 320                | 1 320           | 1 320              | 1 785   | 1 510                  | 1 510                  |
| Municipal Disaster Recovery Grant   |     |                 |                 |                 |                      |                 |                    | 60 733  |                        |                        |
| LG Seta   |     |                 |                 |                 |                      |                 |                    | 2 575   | -                      | -                      |
| Provincial Government:  |     | -               | -               | -               | -                    | -               | -                  | 26 667  | -                      | -                      |
| Department of Roads and Transport   |     |                 |                 |                 |                      |                 |                    | 26 667  |                        |                        |
| District Municipality:  |     | -               | -               | -               | -                    | -               | -                  | 4 000   | -                      | -                      |
| Local Municipalities - Fire Services  |     |                 |                 |                 |                      |                 |                    | 4 000   |                        |                        |
| Other grant providers:  |     | -               | -               | -               | -                    | -               | -                  | 1 000   | 1 000                  | 1 000                  |
| Private enterprises   |     |                 |                 |                 |                      |                 |                    | 1 000   | 1 000                  | 1 000                  |
| <b>Total operating expenditure of Transfers and Grants:</b>                       |     | -               | -               | -               | 417 596              | 417 596         | 417 596            | 446 809   | 356 173                | 353 993                |
| <u>Capital expenditure of Transfers and Grants</u>                                |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| National Government:  |     | -               | -               | -               | 169 500              | 169 500         | 169 500            | 168 434   | 236 620                | 401 241                |
| Municipal Infrastructure Grant (MIG)  |     |                 |                 |                 | 110 500              | 110 500         | 110 500            | 81 025  | 108 000                | 145 000                |
| Regional Bulk Infrastructure  |     |                 |                 |                 | -                    | -               | -                  | -   | 40 000                 | 152 747                |
| Water Services Infrastructure Grant [Schedule 5B]                                 |     |                 |                 |                 | 59 000               | 59 000          | 59 000             | 84 000  | 88 620                 | 103 494                |
| Local Government Equitable Share  |     |                 |                 |                 |                      |                 |                    | 3 410   | -                      | -                      |
| Provincial Government:  |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other capital transfers/grants [insert description]                               |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| District Municipality:  |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Local Municipalities - Fire Services  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Other grant providers:  |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Private enterprises   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total capital expenditure of Transfers and Grants</b>                          |     | -               | -               | -               | 169 500              | 169 500         | 169 500            | 168 434   | 236 620                | 401 241                |
| <b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>                                  |     | -               | -               | -               | 587 096              | 587 096         | 587 096            | 615 243   | 592 793                | 755 234                |

## Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 2.10 Capital expenditure details

The following tables present details of the Municipality's capital expenditure programme.

### Table 22 2019/20 Capital expenditure by asset class

DC14 Joe Gqabi - Table A9 Asset Management

[illegible]

Joe Gqabi District Municipality – 2019/20 FINAL Budget MTREF (for Approval by Council)  
(30 May 2019)

| Description                                  | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand                                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Renewal of Existing Assets</b>      | 2   | -               | -               | -               | 151 100              | -               | -                  | 45 000  | 88 620                 | 103 494                |
| Roads Infrastructure                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Storm water Infrastructure                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Electrical Infrastructure                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Water Supply Infrastructure                  |     | -               | -               | -               | 89 567               | -               | -                  | 5 000   | -                      | -                      |
| Sanitation Infrastructure                    |     | -               | -               | -               | 60 933               | -               | -                  | 40 000  | 88 620                 | 103 494                |
| Solid Waste Infrastructure                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Rail Infrastructure                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Coastal Infrastructure                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Information and Communication Infrastructure |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                               |     | -               | -               | -               | 150 500              | -               | -                  | 45 000  | 88 620                 | 103 494                |
| Community Facilities                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Sport and Recreation Facilities              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Community Assets                             |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Heritage Assets                              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Revenue Generating                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Non-revenue Generating                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                        |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Operational Buildings                        |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Housing                                      |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other Assets                                 |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological or Cultivated Assets              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Servitudes                                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Licences and Rights                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangible Assets                            |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Computer Equipment                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Furniture and Office Equipment               |     | -               | -               | -               | 600                  | -               | -                  | -   | -                      | -                      |
| Machinery and Equipment                      |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Transport Assets                             |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Land   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Zoo's, Marine and Non-biological Animals     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total Upgrading of Existing Assets</b>    | 6   | -               | -               | -               | -                    | -               | -                  | 153 524   | 220 500                | 152 747                |
| Roads Infrastructure                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Storm water Infrastructure                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Electrical Infrastructure                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Water Supply Infrastructure                  |     | -               | -               | -               | -                    | -               | -                  | 119 024   | 151 000                | 76 374                 |
| Sanitation Infrastructure                    |     | -               | -               | -               | -                    | -               | -                  | 34 500  | 69 500                 | 76 374                 |
| Solid Waste Infrastructure                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Rail Infrastructure                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Coastal Infrastructure                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Information and Communication Infrastructure |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                               |     | -               | -               | -               | -                    | -               | -                  | 153 524   | 220 500                | 152 747                |
| Community Facilities                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Sport and Recreation Facilities              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Community Assets                             |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Heritage Assets                              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Revenue Generating                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Non-revenue Generating                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                        |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Operational Buildings                        |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Housing                                      |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other Assets                                 |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological or Cultivated Assets              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Servitudes                                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Licences and Rights                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangible Assets                            |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Computer Equipment                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Furniture and Office Equipment               |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Machinery and Equipment                      |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Transport Assets                             |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Land   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Zoo's, Marine and Non-biological Animals     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |



DC14 Joe Gqabi - Table A9 Asset Management

| Description   | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Capital Expenditure</b>                    | 4   | 179 638         | 230 857         | 125 091         | 225 522              | 194 838         | 194 838            | 240 934   | 309 120                | 256 241                |
| <i>Roads Infrastructure</i>                         |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Storm water Infrastructure</i>                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Electrical Infrastructure</i>                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Water Supply Infrastructure</i>                  |     | 162 383         | 160 554         | 96 015          | 157 857              | 161 893         | 161 893            | 149 024   | 151 000                | 76 374                 |
| <i>Sanitation Infrastructure</i>                    |     | 16 784          | 68 809          | 27 286          | 60 933               | 20 466          | 20 466             | 88 500  | 158 120                | 179 868                |
| <i>Solid Waste Infrastructure</i>                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Rail Infrastructure</i>                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Coastal Infrastructure</i>                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <i>Information and Communication Infrastructure</i> |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Infrastructure</b>                               |     | 179 167         | 229 363         | 123 301         | 218 790              | 182 358         | 182 358            | 237 524   | 309 120                | 256 241                |
| Community Facilities                                |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Sport and Recreation Facilities                     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Community Assets                                    |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Heritage Assets                                     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Revenue Generating                                  |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Non-revenue Generating                              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                               |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Operational Buildings                               |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Housing   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other Assets  |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological or Cultivated Assets                     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Servitudes  |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Licences and Rights                                 |     | -               | -               | -               | -                    | -               | -                  | 80  | -                      | -                      |
| Intangible Assets                                   |     | -               | -               | -               | -                    | -               | -                  | 80  | -                      | -                      |
| Computer Equipment                                  |     | -               | -               | -               | 330                  | -               | -                  | 1 100   | -                      | -                      |
| Furniture and Office Equipment                      |     | 231             | 328             | 1 733           | 6 402                | -               | -                  | 30  | -                      | -                      |
| Machinery and Equipment                             |     | 240             | 138             | 58              | -                    | 450             | 450                | -   | -                      | -                      |
| Transport Assets                                    |     | -               | 922             | -               | -                    | -               | -                  | 2 200   | -                      | -                      |
| Land  |     | -               | 105             | -               | -                    | 12 030          | 12 030             | -   | -                      | -                      |
| Zoo's, Marine and Non-biological Animals            |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>TOTAL CAPITAL EXPENDITURE - Asset class</b>      |     | 179 638         | 230 857         | 125 091         | 225 522              | 194 838         | 194 838            | 240 934   | 309 120                | 256 241                |
| <b>ASSET REGISTER SUMMARY - PPE (WDV)</b>           | 5   | -               | 1 609 930       | 1 683 955       | 1 837 432            | 1 829 337       | 1 829 337          | 2 020 686   | 2 279 350              | 2 484 634              |
| <i>Roads Infrastructure</i>                         |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Storm water Infrastructure</i>                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Electrical Infrastructure</i>                    |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Water Supply Infrastructure</i>                  |     |                 | 1 267 517       | 1 015 348       | 1 139 589            | 1 143 624       | 1 143 624          | 1 259 031   | 1 376 414              | 1 419 171              |
| <i>Sanitation Infrastructure</i>                    |     |                 | 309 803         | 638 568         | 666 306              | 648 427         | 648 427            | 725 820   | 872 334                | 1 040 095              |
| <i>Solid Waste Infrastructure</i>                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Rail Infrastructure</i>                          |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Coastal Infrastructure</i>                       |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <i>Information and Communication Infrastructure</i> |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Infrastructure</b>                               |     | -               | 1 577 320       | 1 653 916       | 1 805 895            | 1 792 051       | 1 792 051          | 1 984 852   | 2 248 748              | 2 459 266              |
| Community Assets                                    |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Heritage Assets                                     |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Investment properties                               |     |                 | 2 484           | 2 439           | 2 439                | 2 439           | 2 439              | 2 393   | 2 348                  | 2 302                  |
| Other Assets  |     |                 | 9 804           | 9 216           | 8 461                | 20 491          | 20 491             | 19 872  | 19 253                 | 18 634                 |
| Biological or Cultivated Assets                     |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Intangible Assets                                   |     |                 | 901             | 453             | 81                   | 81              | 81                 | 364   | 196                    | 27                     |
| Computer Equipment                                  |     |                 | 1 699           | 2 648           | 2 978                | 2 648           | 2 648              | 1 598   | 948                    | 798                    |
| Furniture and Office Equipment                      |     |                 | 1 461           | 1 826           | 7 909                | 1 507           | 1 507              | 1 165   | 793                    | 421                    |
| Machinery and Equipment                             |     |                 | 1 610           | 1 532           | 1 378                | 1 828           | 1 828              | 1 674   | 1 021                  | 867                    |
| Transport Assets                                    |     |                 | 12 607          | 9 883           | 6 249                | 6 249           | 6 249              | 6 724   | 4 000                  | 275                    |
| Land  |     |                 | 2 043           | 2 043           | 2 043                | 2 043           | 2 043              | 2 043   | 2 043                  | 2 043                  |
| Zoo's, Marine and Non-biological Animals            |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>     | 5   | -               | 1 609 930       | 1 683 955       | 1 837 432            | 1 829 337       | 1 829 337          | 2 020 686   | 2 279 350              | 2 484 634              |

## 2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and is intending to employ interns to undergo training in various divisions of the Budget and Treasury Office.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document will be finalised after and tabled to Council on 30 May 2019 directly aligned and informed by the 2019/20MTREF.
6. Annual Report  
Annual report has been compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

## 2.12 Municipal manager's quality certificate

I \_\_\_\_\_, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

\_\_\_\_\_  
ZA Williams  
Municipal Manager  
Joe Gqabi District Municipality (DC14)

Date: \_\_\_\_\_